

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: MEGAN BASINGER, DIRECTOR
HOUSING AND COMMUNITY SERVICES
SUBJECT: BAY AREA HOUSING FINANCE AUTHORITY (BAHFA) AND 2024
REGIONAL AFFORDABLE HOUSING BOND

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Council: 1) receive information about the Bay Area Housing Finance Authority and the 2024 Regional Affordable Housing Bond; and 2) by motion, direct staff to conduct outreach and develop an Expenditure Plan outlining the use of bond proceeds, returning to the City Council at a later date for adoption.

EXECUTIVE SUMMARY

This report item will provide an overview of the Bay Area Housing Finance Authority (BAHFA) and its preparation of a \$10-20 billion Regional General Obligation Affordable Housing Bond for the November 2024 election. Should the regional bond pass, the City of Santa Rosa (City) will potentially receive an appropriation ranging between \$121 million - \$242 million, to be allocated by the City Council (Council) in accordance with the City's adopted Expenditure Plan. To accept any bond proceeds, an Expenditure Plan that complies with regulations established by BAHFA to include minimum investment targets and a plan for the flexible funding portion, must be adopted by Council no later than 2025.

BACKGROUND

BAHFA is a regional authority created by the California Legislature in 2019 to address chronic affordable housing challenges in the nine counties and 101 cities in the Bay Area, working closely with the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) to align regional housing priorities. BAHFA's purpose is to raise, allocate, and administer funding, while providing technical assistance at a regional level to bolster tenant protections, affordable housing preservation, and new affordable housing production. Both the BAHFA Board of Directors (Board) and the ABAG Executive Board are comprised of local elected

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officials. In Sonoma County, City Council Member Victoria Fleming and County Supervisor David Rabbitt represent the City and region on BAHFA's Board. Supervisor Rabbitt also serves on ABAG's Executive Board. Both representatives will participate in regional votes related to the 2024 regional housing bond.

BAHFA began implementation of various pilot programs in 2021 with a \$20 million appropriation from the State of California (State). This funding was supplemented by additional funds from the State's Regional Early Action Planning (REAP) Grant 2.0, philanthropic donations, as well as private industry support and financial assistance from the MTC.

The pilot programs aim to address the three primary areas of focus for BAHFA: tenant protection, affordable housing preservation, and new affordable housing production. Some of the pilot programs that have been created or supported by BAHFA include:

- The Doorway Housing Portal. An online repository for affordable housing listings that was launched in the summer of 2023 in the South Bay Area. Outreach to property managers and developers in Santa Rosa and Sonoma County is anticipated to begin soon.
- Priority Sites Pilot Program: A collaboration between BAHFA, MTC, and ABAG to catalyze affordable housing in transit-proximate locations. In October 2023 Santa Rosa nominated seven sites for this program.
- Preservation Pilot Program: An anticipated \$15 million program to support the acquisition and rehabilitation of affordable housing apartment developments, planned for release in early 2024.
- Rental Assistance Pilot Program: A future \$5 million program in Napa County that offers subsidies to extremely rent-burdened seniors, people with disabilities, and other at-risk tenants to prevent homelessness.
- BAHFA has assisted six developments obtain Welfare Tax Exemptions through their Preservation Program.

In addition to these pilot programs, BAHFA conducted an affordable housing pipeline study to identify approximately 33,000 affordable homes in need of funding that are currently in pre-development across the Bay Area. The City of Santa Rosa's Affordable Housing Project pipeline was included in the study in 2022 and 2023.

The 2024 Regional Housing Bond:

In the summer of 2022, BAHFA and the ABAG Executive Board began considering placing a \$10-20 billion general obligation bond for affordable housing on the November 2024 ballot. Both the ABAG Executive Board and BAHFA Board must approve the bond measure before it can be submitted to Bay Area voters. If approved, counties are required to place the measure on the ballot.

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Currently, the threshold for passing the regional housing bond is a two-thirds (2/3) supermajority of all Bay Area voters, not county-by-county. However, ACA 1, a statewide constitutional amendment, will be on the November 2024 ballot, aiming to reduce the threshold to 55 percent. If approved, this reduced threshold would apply to bond measures on the same ballot.

If the regional housing bond passes, 80 percent of the net revenue will be returned to counties based on a "return to source" basis, determined by each county's share of assessed property values (referred to as county housing revenue). Certain large cities and cities assigned more than 30 percent of their county's low-income Regional Housing Needs Allocation (RHNA) obligation, such as Oakland, San Jose, Santa Rosa, and the City of Napa, may receive a direct allocation from the county housing revenue. The remaining 20 percent of the net revenue, referred to as Regional Housing Revenue, will be available for BAHFA to distribute across the Bay Area.

BAHFA and localities such as Santa Rosa, receiving a direct allocation from a regional housing bond are required, per the government code creating BAHFA, to adopt an Expenditure Plan for their share of the funds. BAHFA's Regional Expenditure Plan is due in summer 2024 (prior to the election), whereas local expenditure plans from cities and counties will not be due until after the election (likely in early 2025). The BAHFA Board and the ABAG Executive Board are actively developing the regional expenditure plan in consultation with local governments, housing stakeholders, and members of the public. Generally, BAHFA's goals for its investments are to prioritize projects that serve those with the greatest need; achieve scale; control construction costs; and advance innovative construction and design approaches that will help the region deliver the housing it needs.

PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

The 2024 Regional Housing Bond seeks to address affordable housing needs throughout the Bay Area. BAHFA aims to create regional solutions to tackle the housing crisis by focusing on the 3Ps framework: protecting current residents to avoid displacement, preserving existing affordable housing, and producing new housing at all income levels.

As a jurisdiction receiving a direct allocation from the regional housing bond, Santa Rosa will be required to produce a local Expenditure Plan for its portion of funds, if the regional housing bond is approved. The Expenditure Plan would identify minimum investment targets that correspond to the 3Ps: 52 percent for production, 15 percent for preservation, and 5 percent for tenant protections, with the remaining 28 percent designed as "flexible" funding that may be used for housing or housing-related uses as

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defined in the ballot measure (for example, infrastructure necessary to support housing development). Given the anticipated revenue and investment categories, Santa Rosa's local Expenditure Plan will have the following structure and approximate amounts:

Total Bond Allocation Estimate for The City of Santa Rosa

Bond Allocation	Estimated Share Amount	Approximate Bond Allocation
Total GO Bond Allocation	100%	\$121 million
Administration of Programs & Services	5%	\$6 million
Balance to Disperse	95%	\$115 million

Balance to Disperse	Level	\$115 million
Production	52% min.	\$60 million
Preservation	15% min.	\$17 million
Tenant Protections**	5% min.	\$6 million
Flexible Funding	28%	\$32 million

* Bond allocation amounts will change when updated with 2023-2024 Assessed Values from the California State Board of Equalization. The figures above are based on 2020 Assessed Values.

** State law does not allow bond proceeds to be spent for non-capital (i.e., services) costs so funds assigned to tenant protection must be reassigned absent a change in law.

The Act establishes basic parameters for the City of Santa Rosa's local Expenditure Plan, though it allows for significant flexibility within those parameters for Santa Rosa to prioritize investments that best meet local needs. Specifically, Santa Rosa's Expenditure Plan must satisfy the following criteria:

- Include minimum investment targets noted above (52% for production, 15% for preservation, 5% for tenant protections);
- Production investments:
 - Can include rental and/or ownership housing;
 - Must carry a deed restriction to ensure affordability;
 - Can serve residents with incomes up to 120% of the Area Median Income (AMI), though must prioritize projects that help meet extremely low-income, very low-income and low-income Regional Housing Needs Allocation (RHNA) targets;
- Preservation investments:
 - Can include rental and/or ownership housing;
 - Must carry a deed restriction to ensure affordability for households earning up to 120% of AMI;
 - Cannot cause the displacement of any current residents or result in a net-loss of units;

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- Include a plan for spending the 28% of funding that is “flexible” and can be used for housing and/or housing-related uses as may be allowed by the ballot measure, such as, for example, housing-related parks and infrastructure;
- Be considered at a public meeting at least 30 days prior to its adoption;

Once Santa Rosa adopts the Expenditure Plan that meets the foregoing criteria, the plan is deemed approved and will be posted to BAHFA’s website.

To develop Santa Rosa’s Expenditure Plan, staff recommends an engagement and outreach process to solicit input from affordable housing developers, non-profit service providers, housing advocates, and members of the public. Staff anticipates outreach and development of an Expenditure Plan to require significant staff efforts prior to the November 2024 election and seek Council direction, by motion, to proceed to perform outreach, develop an Expenditure Plan, and return to Council at a later date for adoption of the plan.

FISCAL IMPACT

This item does not have a direct fiscal impact on the General Fund or the Housing Authority’s budget. The required labor hours to perform outreach and develop an Expenditure Plan would be supported through the Housing and Community Services Department and Housing Authority budgets.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required to develop the local Expenditure Plan.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

BAHFA was notified of this meeting via email.

ATTACHMENTS

None

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PRESENTERS

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