

## Attachment C

### **Key Issue/Policy: Affordable Housing**

**Issue Area:** A large number of comments on the draft Plan Bay Area cite concerns about the lack of financial support for affordable housing. Given today's soaring housing costs, housing production costs in the Bay Area, and the complexity of developing housing in locations near transit, additional resources are needed to facilitate the preservation of currently affordable housing and the construction of new affordable homes in the future. The loss of redevelopment funding combined with reduced funding levels at the state and federal level leaves a structural financing gap of at least 10-20% on most affordable housing projects in the region after accounting for typical equity investments from banks, local trusts and fees, and other lenders.

The success of Plan Bay Area implementation hinges on increasing the availability of affordable housing. Production of affordable housing and community stability have been raised as critical issues to retain and improve the quality of life of existing neighborhoods, accommodate future growth, and address the labor needs of our business community.

**Key Considerations:** For the 1999-2006 Regional Housing Need Allocation (RHNA) period, the region produced 44% of its Very Low and 75% of its Low Income housing units needed, leaving approximately 23,000 very low and low income units un-built. The current RHNA period includes 78,000 very low and low income units. Production is again expected to fall short of the region's needs unless new funding sources and strategies are identified. Also, a substantial amount of otherwise affordable housing is in need of rehabilitation.

The Transit Oriented Affordable Housing (TOAH) Fund established with \$10 million from MTC created a \$50 million fund by leveraging investments from banks (Citi and Morgan Stanley), community development financial institutions (CDFIs), two community foundations, and two national foundations. An additional investment of \$10 million set to take place in late 2013 will grow the fund to at least \$90 million, a leverage of 3:1 on this second investment.

Funding for the production and rehabilitation of affordable housing will require local planning and entitlement processes that support this effort. Coordination with Congestion Management Agencies (CMAs) as well as the provision of incentives for local jurisdictions will be essential. Priority Development Areas (PDAs) provide a policy framework that can support investments in disadvantaged communities as well as encourage housing production in communities with access to employment and educational opportunities based on regional and local collaboration.

CMAs are providing a new level of support through their PDA Investment and Growth Strategy reports. Most CMAs already have compiled an inventory of affordable housing and displacement policies by local jurisdictions.

**Recommendation:**

1. Reserve \$600 million over the life of the Plan from Cap and Trade revenues to a regional affordable housing fund. Based on the experience with TOAH and local jurisdictions' contributions to affordable housing production and preservation, this \$600 million can be leveraged to a large degree to support the creation and rehabilitation of affordable housing units. The fund can support the preservation of currently affordable units and assist with the development of new affordable units. The specific provisions and identification of partners in the fund and leveraging opportunities will be determined following adoption of Plan Bay Area.
2. Continue the use of Regional PDA Planning funds to facilitate the entitlement of affordable housing in transit corridors.