



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 23-951

Board Meeting Date: 12/5/2023

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Raymond Hodges, Director, Department of Housing
Subject: 2024 Regional Affordable Housing Bond - Expenditure Plan Outreach and Engagement Process

RECOMMENDATION:

Accept staff report, provide guidance and direct staff on the proposed engagement and outreach plan to local governments, stakeholders, and members of the public regarding the 2024 Regional Affordable Housing Bond Expenditure Plan.

BACKGROUND:

The San Francisco Bay Area Regional Housing Finance Act (California Government Code § 64500, et seq.) (the "Act") created the Bay Area Housing Finance Authority (BAHFA) in 2019. BAHFA's purpose is to raise, administer and allocate funding and provide technical assistance at a regional level for new affordable housing production, affordable housing preservation, and tenant protections, commonly referred to as the "3Ps." BAHFA's jurisdiction is the entire area within the boundaries of the counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma, and the city and county of San Francisco ("San Francisco Bay Area").

BAHFA is a joint effort of the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG). MTC was created by the state Legislature in 1970 (California Government Code § 66500 et seq.) to serve as the transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area. BAHFA is governed by the same board as MTC. ABAG was formed in 1961 by a joint powers' agreement among Bay Area local governments and serves as the comprehensive regional planning agency and Council of Governments for the nine counties and 101 cities and towns of the San Francisco Bay Area. Some actions related to placement of a measure on the ballot and approval of a regional expenditure plan require action by both the BAHFA Board and the ABAG Executive Board in its role as required by the Act. Both the BAHFA Board and the ABAG Executive Board are comprised of local elected officials.

In the summer of 2022, the BAHFA Board and the ABAG Executive Board began the process to consider placing a \$10-20 billion general obligation bond on the November 2024 ballot. Both the ABAG Executive Board and the BAHFA Board must authorize the regional housing bond to be

submitted to Bay Area voters; if they do so, counties are required to place the measure upon the ballot.

The current threshold for passing the regional housing bond is a 2/3 supermajority of all Bay Area voters (not county-by-county). However, the State Legislature recently approved ACA 1, which will place a statewide constitutional amendment on the November 2024 ballot that would reduce the threshold to 55 percent for bonds supporting public infrastructure, affordable housing, or permanent supportive housing. If ACA 1 is approved by a simple majority of voters, the reduced threshold would apply to bond measures on the same ballot.

If the regional housing bond passes, eighty percent (80 percent) of the net revenue will be returned to counties based on a “return to source” basis as determined by each county’s share of assessed property values. This portion of the funds is referred to as county housing revenue. The remaining twenty percent (20 percent) of the net revenue, referred to as Regional Housing Revenue, will be available to BAHFA for distribution anywhere in the region.

BAHFA and localities receiving a direct allocation from a regional housing bond are required to adopt an expenditure plan for their share of the funds. ([Government Code Sections 64650-64652](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=&title=6.8.&part=2.&chapter=3.&article=>) [<https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=&title=6.8.&part=2.&chapter=3.&article=>](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=&title=6.8.&part=2.&chapter=3.&article=>).) BAHFA’s regional expenditure plan is due in summer 2024 (prior to the election), whereas local expenditure plans 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.

As a jurisdiction receiving a direct allocation from the regional housing bond, the County will be required to produce a local expenditure plan for our portion of funds if the regional housing bond is approved. The earliest date that the expenditure plan can be submitted to BAHFA is February 2025. The Act establishes a set of investment categories with 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 initiatives falling under any of the three categories, or housing-related uses as defined in the ballot measure (for example, infrastructure necessary to support housing development). Currently, Section 1 of Article XIII A of the California Constitution (“Constitution”) provides that general obligation bonds can only be used for the acquisition or improvement of real property; tenant protection programs and services are generally ineligible uses of bond funds. Unless the final language of ACA 1 amends the Constitution to allow bonds to be used for services, BAHFA staff plan to recommend that the BAHFA Board and the ABAG Executive Board allow for deviation from the 5 percent minimum allocation for tenant protections (as allowed by the Act).

Given the anticipated revenue and investment categories, our County’s local expenditure plan will have the following structure and approximate amounts:

Total Bond Allocation Estimate for the County of San Mateo*

County Administration: \$52 million
Production: \$517 million
Preservation: \$149 million
Tenant Protections: \$50 million *
Flexible Funding: \$278 million
Total GO Bond Allocation: \$1.05 billion**

** 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.*

*** 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.*

The Act establishes basic parameters for the County's local expenditure plan, though it allows for significant flexibility within those parameters for the County to prioritize investments that best meet local needs. Specifically, the County's expenditure plan must satisfy the following criteria:

- Include minimum investment targets noted above (52 percent for production, 15 percent for preservation, 5 percent 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 percent 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 percent of AMI;
 - Cannot cause the displacement of any current residents or result in a net-loss of units.
- Include a plan for spending the 28 percent 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 infrastructure.
- Be considered at a public meeting at least 30 days prior to its adoption.

Staff will develop the expenditure plan with input from the engagement process described below and expects to return to the Board for approval in early 2025.

Once the County adopts the expenditure plan, the County submits the plan to BAHFA. If the expenditure plan meets the foregoing criteria, the plan is deemed approved and will be posted to BAHFA's website.

DISCUSSION:

Under the current Regional Housing Needs Allocation cycle (2023-2031), San Mateo County and the

cities within will need to build a total of 47,687 new homes. Of this number, 19,219 homes must be for households at very low and low-income levels. To develop an expenditure plan that helps the County meet these housing goals, staff will need to conduct a robust engagement and outreach process to solicit input from local governments, stakeholders, and members of the public. This engagement process will build on the work that has already occurred through jurisdictions on the Housing Element, Measure K listening sessions, and similar community outreach efforts. The County will engage in a variety of engagement avenues which will include feedback from formal community events, city council meetings, Supervisorial District town halls, and outreach targeted to the general public and community-based organizations.

Staff recommends proceeding with the following proposed outreach for the expenditure plan, which includes four phases:

Introduction and Education: Introduction and education on the regional housing bond and outreach plan will be provided to community partners, culminating in an inaugural community event hosted by Home for All in early 2024. The purpose of the event will be to present information on the County's housing needs, introduce the housing bond, and generate interest in the expenditure plan.

Consultation with Community Housing Partners: Focused consultation with City elected officials and senior staff, and other governmental entities to identify priority housing programs and projects for the expenditure plan. The County will additionally seek guidance from impacted departments across the County and from an Advisory Committee made up of stakeholders such as community advocates, housing developers and service providers, property managers, residents of affordable housing, lenders, etc.

Community Engagement: The County will engage with the general public and community-based organizations on the expenditure plan. Community meetings will be held in partnership with each Supervisorial District. Partnerships with community-based organizations will be essential at this phase to ensure that targeted outreach is provided to communities that are harder to reach. These may include rural coastal residents, people with limited English proficiency, isolated older adults, newly immigrated populations, people with limited literacy, lower-income households, and groups who historically express mistrust in the government. Feedback from an inclusive audience of diverse backgrounds will be critical to ensure that the plan accurately meets the local housing needs of San Mateo County.

Final Review and Adoption: The County will re-engage the Advisory Committee to review the draft expenditure plan including any updates from the community engagement meetings. The expenditure plan will then be presented before the Housing and Community Development Committee (HCDC) before providing the expenditure plan to the Board of Supervisors for final review and adoption.

County staff will work to coordinate additional communication channels including but not limited to email distribution lists, website pages, and surveys.

Attachment A to this memo provides an illustration of the proposed outreach plan.

EQUITY IMPACT:

Equity will be a central component in the development of the engagement and outreach process. Outreach materials, community listening sessions and surveys will be designed in multiple languages, facilitating equitable participation for residents, irrespective of linguistic background. Deliberate and targeted community outreach will be also conducted ensuring feedback was gathered

from a wide range of ages, incomes, races, and ethnicities, including historically hard-to-reach communities. This approach aligns with the County's overarching equity objectives, amplifying voices and fostering inclusivity.

BAHFA will adopt an Equity Framework to operationalize equity as its focus. The written document will have concepts, goals, criteria, and metrics that will inform decisions made about the agency's program offerings and strategic priorities in the three areas of production, protection, and preservation. The County's expenditure plan will be guided by BAHFA's Equity Framework to address the specific needs of communities in our County that are most impacted by the housing affordability crisis.

FISCAL IMPACT:

There is no net direct fiscal impact from accepting this staff report and providing direction to staff to proceed with the outreach plan. If the regional housing bond passes, the County will receive a total general bond allocation in an amount currently estimated to be \$1.05 billion, subject to revisions based on updated assessed values from the State Board of Equalization. The allocation will be subject to the limits of the bond terms and expenditure plan. The County will be able to utilize 5 percent of the bond allocation for administrative purposes. The County's outreach efforts will be funded through funds included within the FY 23-24 adopted budget for DOH with the support of technical assistance from BAHFA staff.