



# ON TRACK TOGETHER

Housing and Transportation:  
Building the Bay Area's Vibrant, Sustainable,  
and Affordable Future Together



The Voice of  
Affordable Housing

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# EXECUTIVE SUMMARY



In the midst of plenty, the San Francisco Bay Area is failing to house the people who have made our region the success it is today.

Unaffordable rents and home prices in the Bay Area are pushing out many long time residents, putting us at risk of destroying the social and cultural fabric and rich diversity of our communities. Our lack of affordable housing is forcing our innovative workforce farther from job centers and our vulnerable communities from their networks of support. It contributes to pollution, climate change, gridlock, and less opportunity for all.

Polling conducted by NPH and our partners has demonstrated that voters believe affordable housing should be a top priority for local, state, and regional policymakers. Recently, many Bay Area counties stepped up to contribute their fair share toward affordability solutions. Now, as this report demonstrates, our region has the opportunity and urgency to build a regional strategy for Bay Area housing and transportation solutions.

Now it is time for bold action at the regional level.

New opportunities are arising now for a regional housing and transportation approach in the Bay Area, as the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) consolidate staffs in the summer of 2017 and adopt *Plan Bay Area 2040* – a 24-year plan to promote sustainable growth and cut greenhouse gas emissions in the region. The Plan’s success will hinge on successfully accommodating added needs from the Bay Area’s predicted population growth of 2.3 million more people by 2040, nearly half of whom will make less than \$60,000 a year.

The Bay Area’s housing affordability crisis is not unique to any one city or county in the region, and all communities need to be part of the solution to build new affordable units and preserve the affordability of the units we already have. We need a regional approach to solve the Bay Area housing crisis for residents at all income levels. **As ABAG and MTC consolidate their staffs, there has never been a better opportunity to bring together ABAG’s sophisticated housing expertise with MTC’s transportation know-how and significant resources to create a robust and impactful regional housing program.** Together, these agencies will be uniquely empowered to move forward a game-changing housing agenda.

Top photo: Courtesy of Eden Housing

## IN THIS REPORT

We examine and identify trends from a large body of research on the causes of California’s and the Bay Area’s underproduction of affordable housing and housing in general, finding that:

- The Bay Area has severely under-produced housing affordable to lower income families and housing overall relative to demand for decades;
- Local governments have favored office and commercial development over homes;
- Land is expensive and constrained, and we have inadequate densities and zoning;
- Urban construction tends to be expensive;
- Out-of-control “local control” and aggressive use of the California Environmental Quality Act blocks projects, especially the development of new affordable homes, and can further the racial and economic segregation of communities;
- The region has seen a significant decline in affordable housing investment from state and federal sources.

We feature recent successful models, as agencies have stepped forward to change and re-direct policies toward ensuring housing for the most vulnerable in our communities, including:

- **MTC’s Transit Oriented Affordable Housing Fund**, a nationally recognized program to bank land near transit – seeded by MTC with \$10 million and matched with \$40 million in private investment, securing land for nearly 1,000 new affordable homes;
- **BART’s and VTA’s Transit Oriented Development Guidelines**, which require jurisdictions to have minimum densities and various pro-housing policies in place to be eligible for major new transportation investments;
- **MTC’s Naturally Occurring Affordable Housing Fund**, a program which addresses the threat of rising rents and real estate speculation by shifting properties to long-term affordability and increasing housing stability overall.

And we present key recommendations

to build out our region’s transportation and housing infrastructure together. The vision presented here includes impactful opportunities that MTC and ABAG can undertake over the next two years to keep our region on track for a healthy future, utilizing existing programs and identifying new opportunities within our regional agencies’ purview. Five strategies to achieve the three “Ps” of housing goals (production, preservation, and protection) are presented, including:

- **Investing in our communities.** Tie transportation funding to housing production, and establish new funding sources for new affordable housing development;
- **Incentivizing the preservation of affordable homes** by utilizing regional funds to support acquiring and preserving local affordable housing;
- **Promoting community stability** with strong policies and leadership to address displacement;
- **Working with state lawmakers** to support and promote state legislation that supports regional housing goals;
- **Maximizing regional agencies’ ability to lead on housing** by fully resourcing and staffing the joint “Housing and Neighborhoods” unit in its aim to develop innovative and transformative responses at the regional level to the Bay Area’s housing woes.

NPH is committed to a future where everyone has a place to call home. A San Francisco Bay Area regional approach can begin this work for our communities in earnest – for our neighbors of today and our children of tomorrow.



# RECOMMENDATIONS SUMMARY

## NPH's Vision for a Vibrant, Sustainable, and Affordable Region

The solutions to the Bay Area's housing problems are many, but they will involve three high-level actions known as the three "Ps" of Housing Production, Preservation, and (Tenant) Protections:

### PRODUCTION

Build more permanently affordable homes as well as more homes in general.

### PRESERVATION

Keep our existing stock of affordable homes affordable whether those homes were built by the private market, affordable housing developers, or local housing authorities.

### PROTECTION

Protect our communities' ability to stay together through tenant protections that address displacement.



**NPH calls on MTC and ABAG to take a visionary approach for making the Bay Area more sustainable and affordable through five (5) key strategies that can be undertaken over the next two years.**

### 1. Invest in our communities

To ensure healthy, vibrant, and affordable growth in the Bay Area, MTC and ABAG should establish a \$1.4 billion annual funding target for affordable housing production and preservation to provide for identified housing needs of its low and very low-income residents. NPH recommends that MTC and ABAG create a regional affordable housing revenue plan and aggressively pursue all potential funding sources to fill in the affordable housing funding gap. In this report, NPH identified several potential funding sources for consideration, including investing a portion of the proposed bridge toll revenue increases through Regional Measure 3, establishing a Regional Infrastructure Bank, and other opportunities.

### 2. Keep existing affordable homes affordable, whether those homes were built by the private market or affordable housing developers.

MTC and ABAG should continue to incentivize the preservation of affordable homes (whether open market or subsidized) as an eligible use of funds from a future Regional Housing Trust Fund. Eligible uses could include expanding the regional Housing Preservation Fund (also known as NOAH) that aids nonprofit developers in acquiring, rehabbing, and preserving the affordability of older buildings in the open market that currently charge below-market rents but that are at risk of evictions, rent hikes or being acquired by real estate speculators.



### 3. Promote community stability

MTC and ABAG have publicly acknowledged the importance of tenant protections as part of the three “Ps” framework, and already begun to directly address displacement at the regional level by requiring all congestion management agencies to prioritize regional transportation funding for jurisdictions that have adopted anti-displacement policies. It is vital that MTC and ABAG take a strong leadership role to continue work to address displacement. The following recommendations were developed by the 6 Wins Network for Social Equity and endorsed by NPH:

- Encourage local adoption of effective anti-displacement and affordable housing strategies through programs like OBAG, such as just cause for eviction, rent stabilization, anti-harassment policies, SRO preservation, housing impact fees, commercial linkage fees, and inclusionary policies;
- Commit to and promote “no net loss” policies for homes affordable to or occupied by low-income households, in connection with regional actions and incentives (including infrastructure investment decisions);
- Create incentives and technical assistance for local governments to accurately track and maintain real-time data on rents and evictions;
- Use the latest research on displacement trends in the Bay Area from UC Berkeley’s Urban Displacement Project (i.e. taking into account neighborhoods experiencing the highest displacement pressures) to inform regional policy-making.

### 4. Continue to support vital state legislation to advance regional housing goals.

A number of housing bills introduced in the California State Legislature will support the Bay Area to grow in a more equitable and sustainable way and ABAG and MTC should support these state-level policies, which include:

- Creating state-level sustainable sources of funding for affordable housing development and preservation;
- Expanding state-level low-income housing tax credits to fully take advantage of potential federal matches;

- Restoring local government’s ability to require that new rental projects include a certain percentage of units as affordable to low-income residents;
- Facilitating the acquisition of affordable homes at risk of conversion to market-rate to preserve affordability;
- Improving the usefulness of community reinvestment areas as a tool to fund affordable housing production;
- Lowering voter threshold for approving local affordable housing bond measures to 55%;
- Placing a state affordable housing bond initiative before voters.

### 5. Resource a robust regional housing unit within the joint planning department

As MTC and ABAG consolidate their planning staffs, a new unit called “Housing and Neighborhoods” will be created under the unified planning department. In merging the two planning staffs, in order to address the region’s housing crisis and because housing is inextricably linked to solving the region’s transportation woes, it is critical to ensure continuity and adequate staffing of the agency; build on and expand MTC’s housing incentive and investment programs and research; and ensure follow-through on recommendations made by the Committee on Affordable and Sustainable Accommodations (CASA).

## A Vision for the Future

As ABAG and MTC begin researching new potential governance models in 2018, there is a possibility for truly transformational change to create a 21st century regional land use and transportation planning agency that can make the visionary types of investments the Bay Area needs to grow and succeed. NPH is committed to partnering with MTC-ABAG to help bring about a vision for more sustainable and equitable growth for all the Bay Area’s residents.

# INTRODUCTION

It's no secret that the San Francisco Bay Area's affordable housing challenges have reached a critical tipping point. According to a June 2017 national study, six of our nine Bay Area Counties occupy the top six most expensive jurisdictions in the nation. Most Bay Area residents, if they have not experienced displacement themselves, know of family members, friends, or neighbors who had to move from their homes and communities because of rising rents or eviction. Many neighborhoods close to transit and newly desirable downtowns have lost thousands of low-income residents, who have relocated to outlying areas that lack the services they often require due to economic hardship. Moreover, it is often communities of color that are disproportionately impacted by displacement.

Bay Area residents recognize that our situation is critical, and that without action it is likely to get worse. In a series of 2016 polls commissioned by the Housing Association of Northern California and its partners, covering Alameda, Santa Clara, and San Mateo Counties, voters identified the cost of housing as their number one concern above traffic, health and safety, and education. Voters in these counties then took steps to pass their own, local affordable housing funding measures in November 2016, ensuring that tens of thousands of the Bay Area's workers and residents will have the opportunity to live within a short commute of the economy they support and stay in the communities they call home. However, hundreds of thousands more Bay Area residents continue to face the stark "choice" of living in increasingly overcrowded and unhealthy housing in order to be close to work or confront daily mega-commutes to the edges or outside of the region altogether. Our seniors, people with disabilities, and other vulnerable community members struggle to stay within their support networks. This unsustainable way of life comes at a significant cost to individuals, families, and communities at large – putting significant strain on our crumbling roads and infrastructure, threatening our region's workforce and environment, and eroding our quality of life and our collective health.

In recognition of housing's pivotal role in maintaining our region's quality of life, housing has played an increasingly central role in all aspects of the work performed by the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG). As regional agencies, MTC and ABAG are critical in addressing the Bay Area's affordability crisis, which is not unique to any one city or county in the region, and does not stop at political borders.

This year, MTC and ABAG will adopt *Plan Bay Area*, a planning process for the next 24 years meant to promote sustainable growth while reducing pollution and cutting greenhouse gas emissions. The Plan's success will hinge on successfully accommodating the Bay Area's future population growth within the region's existing development footprint. Given that by 2040, the Bay Area's population is anticipated to increase by an additional 2.3 million residents, spanning all income levels and backgrounds, it is crucial that our region finds a way to house both its existing and its new population in safe, affordable homes – or risk perpetuating unsustainable and unhealthy development patterns for the foreseeable future.

This report focuses on specific actions that MTC and ABAG can take to support housing solutions across our region, through actions that can be taken immediately or within the next two years. We encourage all residents, agency staff, and elected officials to consider this report's findings and recommendations, as the Bay Area embarks on this transformation.

As our region shapes our housing and transportation infrastructure planning to support smart growth, affordable homes, and sustainable communities, we are confident that the Bay Area can lead the way in innovative solutions and bold action.



# RESEARCH TRENDS:

## Housing and Affordability in the Bay Area

Extensive research has been conducted on the causes of California’s – and the Bay Area’s – housing challenges. Despite the complexities of the topic, key trends do emerge, which provide context to this discussion and with a focus, specifically, on the region’s significant shortfall of units affordable to low and very low-income families.

**The Bay Area has the most expensive rental market in the United States.** According to the National Low Income Housing Coalition’s (NLIHC) 2017 “Out of Reach” report, renters must make over \$120,700 to afford the average 2-bedroom apartment in San Francisco, Marin, and San Mateo Counties. Out of the Bay Area’s nine counties, six are among the ten most expensive in the country.

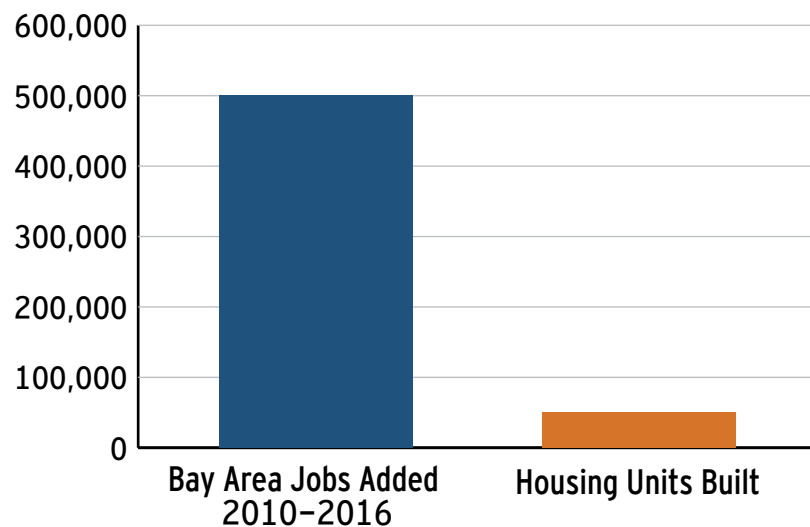
**Table 1. Annual Income needed to afford a typical 2 bedroom in Metropolitan Statistical Areas<sup>1</sup>**

<b>County</b>	<b>National Rank of Most Expensive Jurisdiction</b>	<b>Income needed to pay for a typical 2-bedroom</b>
Marin County	1	\$120,723
San Francisco County	2	\$120,723
San Mateo County	3	\$120,723
Santa Clara County	4	\$88,795
Alameda County	5	\$86,923
Contra Costa	6	\$86,923

<sup>1</sup>National Low Income Housing Coalition. “Out of Reach 2017.” June 2017. Web. 8 June 2017.

**The Bay Area has under-produced housing for decades.** The number of housing permits issued has steeply plummeted since 1971, when the region permitted 66,614 units annually, to 2015, when the region permitted just 19,785 annual units. This precipitous drop in housing starts has been further exacerbated in recent years as job growth has soared. Between 2010 and 2016, the Bay Area added 500,000 jobs – but only 50,000 housing units.

**Figure 1. Bay Area Jobs and Housing Units Added 2010-2016**



Source: Metropolitan Transportation Commission Memo “Regional Housing Policy” Dated December 8, 2016

The causes for this Bay Area housing under-production include<sup>2</sup>:

- Local governments have favored office and commercial development over homes:** Many local government officials assume that housing costs more in services than the taxes it generates to pay for those services. Unable to raise taxes past the state-mandated one percent cap under Proposition 13, local governments have favored commercial and retail development over residential growth, attracting jobs and collecting sales taxes but failing to build enough homes over time to accommodate those new workers. Housing affordable to low-wage workers is particularly lacking: Low-wage jobs outnumber housing units by 5.6 to 1 in the Bay Area overall, and as high as 23 to 1 in some jurisdictions.<sup>3</sup>
- Land in the Bay Area is expensive and constrained:** Land values have skyrocketed partially as a result of the Bay Area’s remarkable economic success and constrained geography. Local communities have already built on much of the region’s easily available land. Low property taxes on land have also had the unintended consequence of incentivizing landowners to defer selling vacant lots to maximize potential returns, to the detriment of future housing development.

<sup>2</sup> NPH analysis based on data from the Association of Bay Area Government’s “People Places and Prosperity” (2015), McKinsey Global Institute’s “Closing California’s Housing Gap” (2016) as well as the California Legislative Analyst’s report “California’s High Housing Costs: Causes and Consequences” (2015)

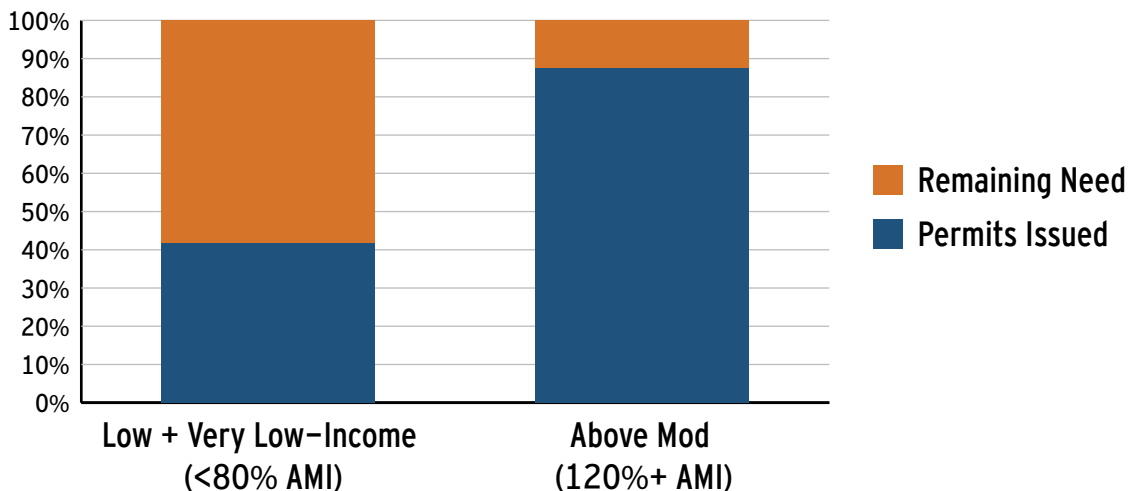
<sup>3</sup> “Regional Opportunity Index: Jobs-Housing Fit.” University of California Davis, 2015, Web. 8 May 2017.

- **Inadequate densities and zoning:** Many parts of the region were built at a time when the Bay Area was more rural in character and zoning laws have not kept up with population and economic pressures in the region. With a constrained supply of land, an efficient strategy in many areas includes building denser homes. Many communities in the Bay Area have resisted increased densities and have not yet revisited outdated local plans.
- **Building in urban areas has grown more expensive:** Proposition 13 shifted much of the cost of providing municipal services from property taxes to new development, which increases the cost of construction.
- **Community processes:** Engagement is a crucial aspect of ensuring that new growth meets the needs of the community. However, when taken to an extreme, these processes have stopped projects that would add crucial affordable and market rate units. CEQA, the California Environmental Quality Act, which requires environmental review for new housing, is sometimes used as a tool to block projects by those with Not In My Back Yard (NIMBY) attitudes. The State of California is presently considering ways to streamline CEQA, to retain important environmental protections while limiting abuse.

**Of the housing that is built in the Bay Area, the vast majority is geared towards the highest income earners as many federal, state and local funding sources for affordable housing have dried up.**

- The vast majority of housing units that have been permitted have been geared towards luxury development while the shortfall of housing affordable to lower income households keeps on growing. From 1988<sup>4</sup> through 2014, the Bay Area’s cities and counties have permitted approximately 268,046 units or 87 percent of their need of homes affordable to “above moderate” income households. By contrast, in that same time period, the region only permitted 107,649 units or 42 percent of its need of homes affordable to low and very low-income households.<sup>5</sup>

**Figure 2. Housing Units Permitted by Income Level 1988-2014**



Source: Association of Bay Area Governments, Regional Housing Need Allocation Reports, 1988-2014, Calculations by NPH

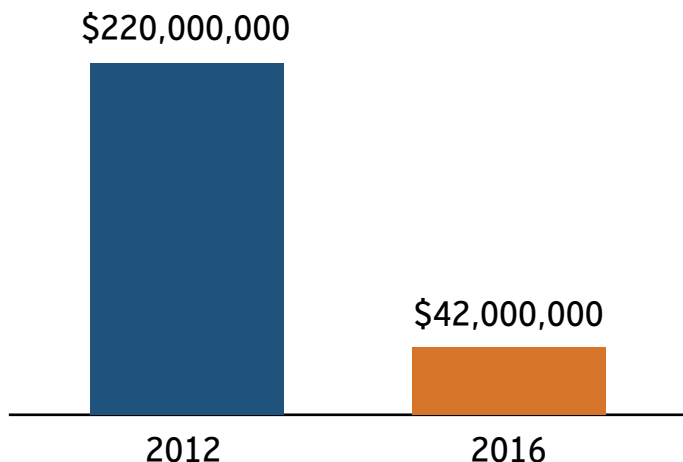
<sup>4</sup> The earliest year for which data is available for housing production by income level

<sup>5</sup> “Regional Housing Need Progress Reports” 1988-2014. Association of Bay Area Governments. Calculations by NPH



- State and local funding for building homes affordable to lower income families has been cut dramatically.
  - ◆ *Local funding:* Through 2012, the Bay Area’s cities and counties generated about \$220 million annually to build units affordable to lower income households through their respective Redevelopment agencies.<sup>6</sup> But Redevelopment agencies were dissolved by the state in 2012, and those funding sources largely reverted to the State with only a vestige of those former dollars remaining locally.

**Figure 3. Available Redevelopment Funding in the Bay Area 2012-2016**



Source: California State Controller, “Community Redevelopment Agencies Annual Report,” 2012. Calculations by NPH

- ◆ *State funding:* California’s two state housing bonds (Prop 46 and 1C), which formerly provided \$4.95 billion for the production and preservation of affordable homes, are fully spent. While one new funding source for affordable housing has emerged in recent years – the State’s Affordable Housing and Sustainable Communities Program (AHSC), which provided the region with \$158 million worth of affordable housing investments in FY14-15 and \$97 million in FY15-16 – funding levels remain considerably less than the State’s previous investment with Props 46 and 1C.
- Inclusionary housing policies, one of the main tools for providing homes affordable to lower income households, have been significantly weakened. Starting in Palo Alto in 1973, inclusionary policies had been used for decades in California to provide homes affordable to low and very low-income residents in new market-rate developments, resulting in over 80,000 affordable units throughout the State. However, an appellate court decision (*Palmer/th Street Properties L.P. v. City of Los Angeles*, 175 Cal. App. 4th 1396, 2009) ended the ability of local governments to apply inclusionary requirements to new rental developments. The State Legislature is currently working to restore the ability of local governments to use this powerful tool.

<sup>6</sup> California State Controller, “Community Redevelopment Agencies Annual Report,” 2012. Calculations by NPH.

<sup>7</sup> Budget proposal as of June 7, 2017

<sup>8</sup> Analysis by the National Low Income Housing Coalition

- The future of major federal housing funding programs is uncertain. The Trump Administration has announced \$7.4 billion<sup>7</sup> in proposed cuts to HUD programs which, if passed, will cost the State of California approximately \$996,758,231 and the Bay Area \$252,786,112.<sup>8</sup> Furthermore, ongoing conversations about federal tax reform have created significant uncertainty for the future of federal low-income housing tax credits, which provide 40 to 70% of the funding needed to build units affordable to low-income families, and already begun to affect the viability of housing projects in the region.

Taken together, cuts in local, state, and federal subsidies have decimated the ability of local governments to subsidize homes affordable to their low-income and vulnerable residents.

**Table 2. Snapshot of Federal and State Affordable Housing Funding Losses in Four Bay Area Counties<sup>9 10</sup>**

<b>County</b>	<b>Funding Loss (2008 – 2016)</b>	<b>Percent Loss (2008 – 2016)</b>
Alameda	\$115,082,709	-74%
Contra Costa	\$36,983,276	-66%
San Mateo	\$32,954,715	-83%
Sonoma	\$41,341,929	-87%
<b>State Total</b>	<b>\$1,744,406,890*</b>	<b>-66%</b>

\* State data only available through 2014

### **Bay Area voters are ready for solutions for the region's affordable housing crisis.**

Housing has become the number one issue for California and Bay Area residents. In a series of polls commissioned in 2016, Bay Area voters identified the cost of housing as their number one concern – above traffic, health, safety, and education. Later that year, voters in several Bay Area counties put action behind their statements, passing county-wide funding measures to support affordable housing for seniors, veterans, people facing homelessness, low-income families, and hardworking community members. In 2017, Bay Area residents continue to urge community and civic leaders to pursue additional opportunities to drive solutions.

This voter demand is not going unnoticed. State legislators have introduced over 130 housing-related bills in the 2017 Legislative Session. Among the bills are a number of promising initiatives and longstanding fixes that could make a significant difference statewide, including creating a statewide permanent source of funding for affordable housing (SB 2), expanding the state's low-income housing tax credit (AB 71), restoring the ability of jurisdictions to impose inclusionary requirements on new rental developments (AB 1505), improving the usefulness of tax increment financing for affordable housing (AB 1598), and lowering the voter threshold required for approving affordable housing and infrastructure bonds (ACA 4).

<sup>9</sup> California Housing Partnership Corporation. County Reports for Alameda, Contra Costa, San Mateo, Sonoma. May 2017. Web. 1 June 2017.

<sup>10</sup> Only figures for Alameda, Contra Costa, San Mateo, and Sonoma counties are available for 2017.

# REGIONAL OPPORTUNITIES:

## Growing Regional Engagement with Affordable Housing Issues

Despite the challenges of trends in housing and affordability in the Bay Area, there is great promise in the turning tide of support for solutions. As Bay Area voters continue to demand action on affordable housing, solutions grow ever more viable – particularly with the opportunities available to pursue regional strategies and policies to support affordable housing solutions.

There has not been a better time for bold and meaningful action to address the Bay Area's longstanding housing affordability problem, and opportunities for growth and progress at the regional level are poised for the taking and more urgent than ever.

**ABAG and MTC are the only forums through which decision-makers at the local and county levels regularly come together to address the linked challenges of the Bay Area's housing affordability and transportation issues.** In any large metropolitan area like the San Francisco Bay Area, housing and transportation issues transcend jurisdictional borders. The state and federal government view housing and transportation as regional issues and have delegated certain powers to ABAG and MTC to address these challenges.

ABAG, in conformance with State Housing Element Law, assigns each jurisdiction the number of homes they must plan for through the Regional Housing Need Allocation (RHNA) process. MTC allocates the region's federal transportation dollars through the Regional Transportation Plan (RTP), as required by federal law. Via California's Sustainable Communities Act of 2008 (SB 375), the RTP developed by MTC must be tied to a land use development pattern developed by ABAG. This work is collectively known as *Plan Bay Area*.

In 2015, ABAG and MTC started a process, culminating in July 2017, to combine the staffs of both agencies, further solidifying their roles and leadership in the Bay Area for addressing the Bay Area's transportation and housing needs.

As this process unfolds, it is vital to understand the background of the agencies, the current challenges and limitations faced, and the opportunities ahead for a united, coherent approach to the Bay Area's housing and transportation challenges.

**Housing has become an important focus for MTC over the years.** MTC's engagement with regional housing issues was traditionally limited to its use of ABAG's forecast of population, households, and jobs while preparing the RTP. However, since the late 1990s, the regional transportation agency has been expanding its role in promoting sustainable development. MTC started expanding its role with a land use focus through its creation of the Transportation for Livable Communities Program, a \$250 million grant to incentivize jurisdictions to do planning and infrastructure work in transit-rich locations.





Another milestone of MTC’s engagement with housing issues was the adoption of a pioneering Transit Oriented Development policy in 2005, which required jurisdictions to:

1. Plan for minimum numbers of housing units around transit stations that would receive major transportation investments;
2. Adopt local plans supportive of TOD objectives that would help make communities walkable and less car-centric;
3. Establish working groups comprised of planning staffs, congestion management agencies, transit agencies, and other stakeholders to address issues along the corridors and establish local plans.<sup>11</sup>

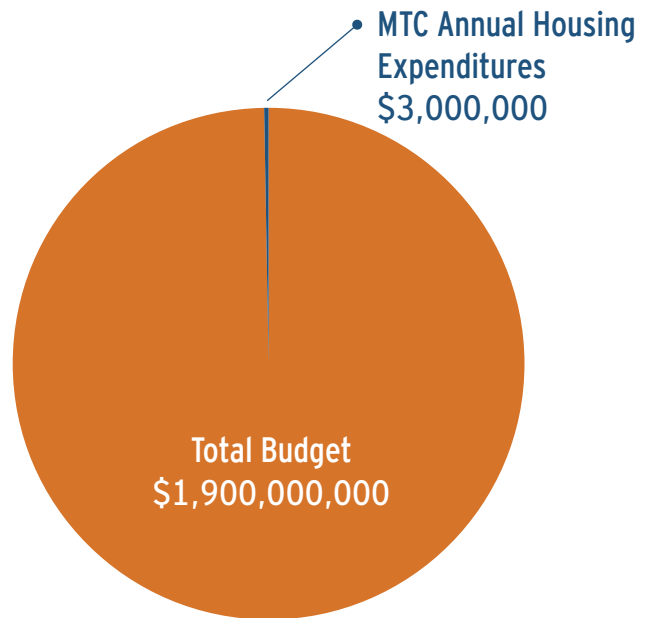
In the 20 years since the creation of Transportation for Livable Communities and 12 years since adopting a TOD policy, MTC has also leveraged funding to impact regional land use outcomes, including:

- Allocating \$250 million worth of grants through the Transportation for Livable Communities program targeted towards incentivizing jurisdictions to permit more housing units, build transit-oriented infrastructure, and encourage planning and zoning to accommodate the Bay Area’s future housing growth.
- Allocating \$10 million to leverage a total of \$50 million for the Transit Oriented Affordable Housing (TOAH) Fund, a nationally recognized program that acts as a form of land bank for transit-oriented sites that will accommodate future affordable housing development.
- Creating the One Bay Area Grant program (OBAG) to incentivize local governments to comply with state housing law by requiring every grantee to have a local housing element certified by the State to be eligible for regional monies for local streets and roads.

- Creating a \$10 million fund in 2016 through OBAG to preserve housing affordability in existing units (also known as the NOAH Fund) as well as providing \$30 million worth of additional transportation funding for the top 10 highest housing producing cities in the Bay Area (Jumpstart Program).

These programs represent significant steps on the part of MTC to directly address the region’s housing issues. **However, by the agency’s own figures, MTC’s direct investments in housing make up only \$3 million of the agency’s \$1.9 billion annual budget (less than 0.015 percent) of MTC’s annual expenditures.**

**Figure 4. MTC Annual Housing Expenditures in Relation to Budget**



Source: Metropolitan Transportation Commission Memo “Regional Housing Policy” Dated December 8, 2016

<sup>11</sup> MTC Resolution 3434 established the agency’s TOD policy

**ABAG's housing role has been focused on convening, research, planning, and advocacy.** As the Council of Governments (COG) for the San Francisco Bay Area, ABAG is statutorily empowered to assign jurisdictions the number of homes they must plan for over an eight-year period, also known as the Regional Housing Need Allocation (RHNA).


ABAG also produces a forecast of housing, population, and jobs that underpins the work of *Plan Bay Area*. Over the years, ABAG, in collaboration with MTC, has convened local governments to create focused growth areas that eventually became the Priority Development Areas (PDAs). Some examples of ABAG's housing work include:

- Convening a “Housing Methodology Committee” to advise the COG in allocating the Regional Housing Need among the Bay Area's jurisdictions;
- Regularly convening and advising jurisdictions interested in pursuing focused growth across jurisdictional boundaries through PDA “corridors;”
- Participating in key regional and state technical advisory bodies on housing matters;

- Performing unique housing research important to understand housing trends in the Bay Area including tracking permits issued by income level, the creation of a regional housing policy database, and mapping all housing sites identified by jurisdictions in their local housing plans (also known as housing elements).

ABAG has over the years become an important resource on the Bay Area's housing trends and policies as well as a key partner in advising and convening local governments on housing issues. As the representative body of the Bay Area's nine counties and 101 cities, ABAG's housing work has been naturally built around the agency's convening power, but unlike MTC **it does not control funding that can be used to further its housing objectives.**

**As ABAG and MTC consolidate their staffs, there has never been a better opportunity to bring together ABAG's convening power and planning expertise, with MTC's significant resources and track record of program success to create a robust regional housing program that can “move the needle” in the Bay Area.** Through bringing transportation and housing closer together, these agencies are at a unique moment in their histories to advance an ambitious regional housing and transportation agenda.



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# RECOMMENDATIONS:

## NPH's Vision for a Vibrant, Sustainable, and Affordable Region

At this moment in time, we have both opportunity and urgency to build a regional strategy for Bay Area housing and transportation solutions. This strategy could effectively promote a vibrant, sustainable, and affordable region. The Bay Area has a unique opportunity now to support the needs of our communities, lift up the will of the voters, and advance a bold housing agenda as ABAG and MTC consolidate operations and undertake a new long-range land use and transportation plan.

Solutions to the Bay Area's housing problems must address all three of the widely acknowledged pillars of affordable housing:

### Production

Build more permanently affordable homes as well as more homes in general.

### Preservation

Keep our existing stock of affordable homes affordable whether those homes were built by the private market, affordable housing developers, or local housing authorities.

### Protection

Protect our communities' ability to stay together through tenant protections that address displacement.

**NPH calls on MTC and ABAG to take a visionary approach for making the Bay Area more sustainable and affordable through five (5) key strategies that can be undertaken over the next two years.**

### 1. Invest in our communities to build more permanently affordable homes.

MTC and ABAG must support the development of new



homes for all incomes levels around the Bay Area, especially affordable housing for our families, seniors, veterans, people with disabilities, and working people.

A “permanently” affordable home is a home that charges below-market rents or mortgages for lower income people often for 55 years, or in perpetuity. These types of homes can withstand changes in the housing market because they are “deed-restricted;” that is, they can only be rented or sold to lower income households who generally spend no more than 30 percent of their income on housing costs.

**A. A consolidated MTC and ABAG should invest in more affordable homes** by establishing the necessary \$1.4 billion annual target for direct investment in affordable housing and identifying an implementation plan to source this funding level.

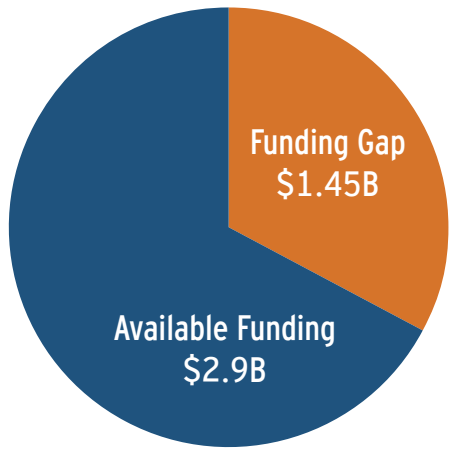
Existing research from *Plan Bay Area* identifies that while transportation funding has dedicated regional revenue streams, our region currently faces a \$1.4 billion annual funding gap for affordable housing. A separate study by Strategic Economics prepared for the Great Communities Collaborative echoed the research finding – placing the annual funding gap at \$1.45 billion to meet the housing need of the region's low and very low-income households. It determined that filling in the affordability gap would mean that every year another 24,400<sup>12</sup> lower income people would have a place to call home, corresponding to the addition of approximately 9,500 units<sup>13</sup> region-wide.

<sup>12</sup> Calculations by NPH. Based on the number of low and very low-income units forecast to be needed to house the region's low and very low-income population between 2015-2023 through the Regional Housing Need Allocation (RHNA) multiplied by the Bay Area's average household size.

<sup>13</sup> “Funding Affordable Housing Near Transit in the Bay Area Region.” Strategic Economics for the Great Communities Collaborative. 2017

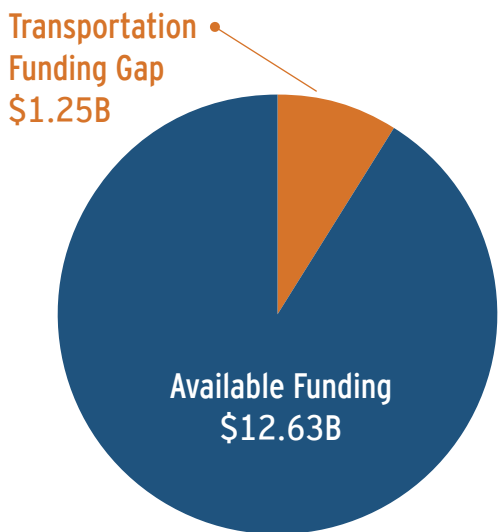


**Figure 5. Available Annualized Affordable Housing Funding and Gap for RHNA in the Bay Area**



Source: “Funding Affordable Housing Near Transit in the Bay Area Region.” *Strategic Economics for the Great Communities Collaborative*. 2017

**Figure 6. Available Transportation Funding and Gap for “state of good repair” in the Bay Area**



Source: NPH calculations based on two supplementary reports in *Plan Bay Area 2040: The “Local Streets and Roads, Bridges And State Highway Needs Assessment”* and the “*Transit Operating And Capital Needs And Revenue*”

Affordable housing investments at the regional level can come in many forms, whether it’s direct, in the form of land, or indirect in the form of infrastructure. NPH encourages MTC and ABAG to commit to developing an affordable housing revenue plan through a public process in 2017 to analyze potential funding sources for a Regional Housing Trust Fund, and to commit to aggressively pursuing those sources. NPH has identified the following specific actions that can be implemented over the next two years to help the Bay Area build tens of thousands of affordable homes as well as homes for all income levels:

*A1. Invest a portion of the proposed bridge toll increase to develop affordable housing on publicly held, transit-oriented sites and to make infrastructure improvements on transit-oriented sites*

MTC is assessing the feasibility of a Regional Measure 3 (RM3), a bridge toll increase of up to \$3 for the June 2018 ballot, which could generate up to \$381 million per year and would be administered by MTC to fund regional transportation projects. **A portion of RM3 revenues should be used to directly fund the development and preservation of deed-restricted affordable homes and related infrastructure investments in transit-oriented locations to reduce traffic congestion on the region’s bridges.**

The connection between transit-oriented affordable housing and getting cars off the roads is well established. When low-income families live in transit-oriented locations, they drive significantly less than if they were to live in less transit-accessible places. According to a study conducted by the California Housing Partnership Corporation and TransForm<sup>14</sup>:

- Low-income families who live within ¼ mile from high quality transit drive at just half the rate of higher-income families at those same locations and 37% less than low-income families who do not live near transit;
- The deeper the affordability of homes within ¼ mile of high quality transit, the fewer cars on the road, as extremely low-income families drive even fewer miles than their low-income counterparts – about 40% of the rate of higher income families living at those same locations.

<sup>14</sup> California Housing Partnership Corporation and TransForm. “Why Creating and Preserving Affordable Homes Near Transit is a Highly Effective Climate Protection Strategy.” 2014.

MTC has recognized that the lack of affordable homes in transit-oriented locations is a major cause of the region's transportation woes and has already invested in housing as part of its comprehensive strategy to address congestion and support equitable, sustainable development regionally.

Building on its successful legacy of investing in housing, MTC should use a portion of future RM3 funding to develop a Regional Infill Affordable Housing Development and Infrastructure Grant Program to help affordable homes get built and close the affordable housing funding gap. The program would be used to fund affordable housing and infrastructure improvements on infill sites that are on publicly held transit-oriented land, located within PDAs, or within a half a mile of high quality transit. These new homes close to transit will, in turn, help get cars off the road thereby decreasing traffic congestion and pollution for all Bay Area residents. MTC is already on track to complete a study this year identifying publicly-owned land in transit-oriented locations in all 9 Bay Area counties that are competitive for state and federal affordable housing subsidies, making them prime locations to focus the Bay Area's growth. Creating a regional fund using bridge tolls to subsidize affordable housing development on transit-oriented publicly-owned land is a smart investment as **those projects would be able to attract enough state and federal investment to at least triple the original investment.**

## Model

There is precedent for MTC directly investing in affordable housing in the Bay Area. In 2012, MTC seeded the Transit Oriented Affordable Housing Fund (TOAH) with a \$10 million investment, matched by \$40 million in private and foundation dollars. This nationally recognized program allows nonprofit affordable housing developers to secure transit-oriented sites for future affordable homes by supporting their purchase of land near transit for the future affordable housing development. To date the program has been used to secure land for nearly 1,000 units.

*A2. Establish a Regional Infill Infrastructure Bank that can provide \$500 million in infrastructure investments on sites slated to be developed as 100% affordable housing, and for projects where at least 18% of the homes will be affordable to lower income residents.*

In early 2016, MTC reviewed a concept to create a Regional Infrastructure Bank to subsidize infrastructure improvements on sites that will accommodate the bulk of the region's growth in permanently affordable homes. MTC staff proposed using hard reserves from the Bay Area Toll Authority (BATA) to raise upwards of \$500 million for infrastructure investments throughout the region. Staff also concluded that creating such a bank is fully within MTC's existing authority to enact without additional legislative approvals or ballot measures.

The Regional Infill Infrastructure Bank would complement the infrastructure investments on affordable housing sites made through RM3. Of the \$500 million potential, NPH proposes that half (\$250 million) could be distributed as grants to affordable housing developers for infrastructure improvements on sites that are dedicated to 100% affordable developments. The remaining half (\$250 million) could be allocated to market-rate projects that include a significant component of affordable units (18% inclusionary), as a revolving loan fund for infrastructure improvements. Projects funded through the revolving loan fund would be subject to lower interest rates and longer payment periods than in conventional market-rate loans for similar uses, similar to the existing TOAH model. To prioritize the Bay Area's infill development goals as specified in *Plan Bay Area*, such sites should be in PDAs, or within a half a mile of high quality transit, or on publicly held lands. Creating a regional infrastructure bank does not require state-enabling legislation and would provide significant funding for PDA readiness and implementation.

A Regional Infill Infrastructure Bank will be another tool to decrease traffic congestion on the Bay Area's roadways, while housing the Bay Area's low-income residents and increasing the supply of housing near transit. According to the California Affordable Housing Cost Study, site preparation and offsite improvements make up about 9% of the average affordable housing project costs.<sup>15</sup> When taking into account parking, which can add around \$40,000-60,000 per space, and utility connection fees, which can be in the tens of thousands per unit, the infrastructure bank could lower development costs by as an estimated 7-10% per project. Given that affordable housing projects rely on numerous funding sources, such an investment would help local, state, and federal housing dollars go further, meaning thousands more Bay Area residents could have a place to call home.

## Model

In 1998, MTC created the Transportation for Livable Communities program which invested \$250 million on transportation-related infrastructure as well as non-transportation infrastructure to make such sites development-ready including sewer, water upgrades, TOD parking, and car-sharing incentives. This program provided funding for infrastructure improvements on TOD sites slated to be developed into housing, laying an important foundation for healthy, safe, transit-oriented homes. Though the program no longer exists, it was an important source of infrastructure funding for the Bay Area - a Regional Infill Infrastructure Bank would build on this successful legacy.

*A3. Condition all future regional transportation funding that MTC manages on affordable housing related outcomes*

<sup>15</sup> California Department of Housing and Community Development et al. "2014 California Affordable Housing Cost Study." 2014. Web 3 May 2017.

<sup>16</sup> CTOD et al. "TOD Policy Status Report: Prepared for the Metropolitan Transportation Commission." 2014.

Transportation funding has been successfully used in the past to incentivize jurisdictions to be compliant with state housing laws and incentivize more housing production. There is significant potential for expanding the pot of transportation funds that could be conditioned on strong local jurisdiction performance on affordable housing, and wherever possible, MTC should link transportation funding to affordable housing and anti-displacement outcomes. Of the \$303 billion slated to be spent on transportation in the region over the next 24 years, \$74 billion is "discretionary." MTC should explore the feasibility of linking its discretionary transportation funding to affordable housing and anti-displacement outcomes and report back to the full Commission in 2017 how much of each funding source could be conditioned.

MTC should also update its transit-oriented development (TOD) policy and incentivize Congestion Management Agencies (CMAs), which control local transportation sales tax dollars, to adopt locally appropriate TOD policies that make housing development more feasible and establish baseline housing performance standards for all jurisdictions.

## Model

MTC led the way nationally when in 2005 it adopted a far-reaching Transit Oriented Development (TOD) policy that required jurisdictions to: 1) Plan for minimum numbers of housing units around transit stations that would be receiving major funding, 2) Adopt local plans supportive of TOD objectives that would help make communities walkable and less car-centric 3) Establish working groups comprised of planning staffs, congestion management agencies, transit agencies, and other stakeholders to address issues along the corridors and establish local plans. This policy resulted in planning for an additional 26,000 along TOD corridors and gaining community support for TOD.<sup>16</sup>

MTC's TOD policy has since been coupled with additional incentives through the OBAG program that pushed jurisdictions to be more compliant with state law. Starting in 2012, OBAG required all jurisdictions applying for funding to have state-certified housing elements. In 2016, MTC added a requirement that all general law jurisdictions applying for OBAG funding pass resolutions attesting their compliance with the State Surplus Land Act (AB 2135). This OBAG program successfully incentivized over a quarter of the region's jurisdictions to adopt local housing plans or housing elements: 28 jurisdictions now have certified housing elements and many are currently in the process of adopting Surplus Land Act resolutions.<sup>17</sup> This model should be expanded, establishing the following basic guidelines for eligibility for major new transportation investment:

- Jurisdictions must have minimum zoning at densities that make affordable housing projects feasible (at a minimum of 20 units/ acres in suburban jurisdictions and 30 units/acre in urban locations);
- Jurisdictions must have adopted local ordinances that make them compliant with state legislation: density bonus ordinances, second unit streamlining, implementing ordinance for the state surplus land act, filing of annual housing element progress report;
- Jurisdictions must be encouraged to permit a minimum number of affordable units based on a county-specific formula that takes into account each jurisdiction's local housing need;
- If the jurisdiction has a Priority Development Area (PDA), these PDAs should have a specific plan associated with them and not just be a potential PDA.

These policies will not only facilitate the production of permanently affordable homes but also homes built by the private market, which will help ease some of the housing cost pressures experienced by all Bay Area residents.

Transportation agencies wield a great deal of influence over local land use decisions and can play leadership roles in achieving affordable housing goals that support transportation goals. In the case of the Bay Area, the State of California has in place many housing-related laws that could make an immediate dent in the Bay Area's housing crisis by encouraging sustainable transit-oriented development. Yet, without enforcement, many of these laws languish on the books and never have their intended impact of helping all Californians have a roof over their heads. For instance, the Bay Area Council estimates that even if just 10 percent of the Bay Area's homeowners were to build second units it could add 150,000 new moderately priced homes to the market. By requiring jurisdictions to be compliant with state housing law, MTC will be helping the State and the Bay Area grow in a way that is both sustainable and expands opportunity for all.

## Model

BART (Bay Area Rapid Transit District) is in the process of adopting its own Transit Oriented Development Implementation Guidelines, requiring jurisdictions to meet certain baselines to be eligible for new BART investment. These thresholds include higher densities around BART stations (at a threshold of 75 units/acre for development on its own land), parking (a system wide average of 0.9 spaces per unit), and that at least 20% of housing units developed on BART-owned sites be affordable to lower income households. Like BART, VTA (Valley Transit Authority) has also adopted a Joint Development Policy that establishes minimum development densities for housing development on its land, as well as a requirement that at least 20% of the housing units developed on land it owns be affordable to households making less than 60% of AMI.

<sup>17</sup> As of the writing of this report jurisdictions are actively in the process of adopted Surplus Land Act resolution to comply with OBAG July 31, 2017 deadline.



B. The market also has a role to play in ensuring the long-term affordability of the region, and **MTC and ABAG should continue to incentivize cities to let the market build housing.** Simply put, the Bay Area has for decades not been building enough homes relative to need. As a result, the region is experiencing a severe backlog for new homes at all income levels. Many local governments for years were not compliant with state housing laws – which, in many cases, were enacted without enforcement mechanisms – resulting in fewer homes and higher housing prices. As recently as 2012, over a quarter of the Bay Area’s cities and counties did not have local housing plans, or housing elements despite it being a requirement for more than 40 years because there was no enforcement in place. **It was not until MTC required local housing plans in place as a condition for local jurisdictions to receive regional funds for local streets and roads that all Bay Area jurisdictions came into compliance.** Our regional approach should continue linking outcomes to funding to spur housing opportunities across all income levels.

## **2. Keep our existing affordable homes affordable - whether those homes were built by the private market or affordable housing developers**

Many of the Bay Area’s existing homes charge rents that are affordable to lower income residents. Those that are built, owned, and operated by affordable housing developers are designed to meet the needs of the community with quality management and resident services. Housing that is affordable in the private market remains affordable due to the age, location or condition of the building and often the presence of long-time tenants. Without protections, tenants are at risk of rent hikes, evictions, and renovations to attract higher income tenants. Other homes that were originally built as affordable homes but are at the end of their affordability period are at-risk of being converted to market-rate. All homes that are currently affordable but at-risk must be

## **Model**

In recognition of the need to preserve the affordability of older buildings that charge below market-rate rents, MTC created a Housing Preservation fund known as NOAH (Naturally Occurring Affordable Housing Fund). The fund, which has been seeded with an initial investment of \$10 million from MTC, will aid nonprofit developers in acquiring, rehabbing, and preserving the affordability of older buildings in the open market that currently charge below-market rents but that are at risk of evictions, rent hikes or being acquired by real estate speculators. This regional program follows similar investments made in San Mateo County (which has dedicated \$10 million for the purposes) and in the City of Oakland (which has dedicated \$100 million from a 2016 infrastructure bond to accomplish this goal).

preserved if we seek to ensure a vibrant Bay Area for the foreseeable future.

**MTC and ABAG should continue to incentivize programs to preserve affordable homes** (whether open market or subsidized) through eligible use of funds from a future Regional Housing Trust Fund. Eligible uses could include grants to nonprofit developers to purchase and renew affordability restrictions in the 5,000+ affordable homes that are at risk of losing their affordability restrictions and being converted to market-rate, small non-recourse loans to homeowners who need to make livability repairs to their homes but do not have the funds to do so, and expansion of the NOAH fund to provide grants to affordable housing developers to acquire properties in the open market with low-income residents and preserve them as affordable housing.

As MTC gears up for the next generation of transportation investments, it is important that these investments work for all residents of the Bay Area regardless of income level. **Promoting the local adoption of affordable housing preservation policies** will help the Bay Area grow in a way that will preserve the social and cultural diversity and inclusion of the region. These policies include discouraging potential real estate speculation by adopting strict condominium conversion ordinances, dedicating local funding sources to the preservation of affordable homes at risk of being converted, and supporting state legislation that ensures that jurisdictions are honoring their obligation to give affordable housing developers the right of first refusal to buy a property that is at risk of losing its affordability restrictions.<sup>18</sup>

### 3. Promote community stability

Regional displacement trends and the relocation of poverty from the urban core into outlying parts of the region or the “suburbanization” of poverty are well documented trends in the region by both MTC and ABAG. The Bay Area continues to experience tremendous displacement pressure as many low-income residents are forced to move out due to skyrocketing rents or evictions. These pressures are changing the wholesale character of neighborhoods and cities themselves as many longtime residents are relocating to outlying parts of the Bay Area or out of the region altogether, and these pressures disproportionately impact communities of color. One study by UC Berkeley’s Urban Displacement Project found that more than half of low-income households in the Bay Area already experience or live in neighborhoods at risk for displacement.<sup>19</sup>

Displacement is a source of trauma for many families who, once displaced, are likely to relocate

to neighborhoods away from jobs.<sup>20</sup> Low-income renters are particularly vulnerable to displacement pressures, unlike homeowners who have the relative price stability that comes with a mortgage. Without rent stabilization in place, renters can see dramatic increases in their rent year to year due to market pressures.

MTC and ABAG have already begun to address displacement at the regional level by requiring all congestion management agencies to prioritize regional transportation funding for jurisdictions that have adopted anti-displacement policies.<sup>21</sup> The agencies have also both publicly acknowledged the three “Ps” framework of Housing: Production, Preservation, and Protections for Tenants. However, both fall short of a comprehensive regional anti-displacement strategy to stabilize hundreds of thousands of Bay Area renters at risk of displacement.

Bay Area voters are clamoring for meaningful action to address displacement, having approved in the 2016 elections the first expansion of rent stabilization in over 30 years in Mountain View, Richmond, and Alameda, and strengthening existing provisions in Oakland.

MTC and ABAG should take a leadership role to address displacement in the Bay Area. The following is a list of common sense actions for MTC and ABAG proposed by the 6 Wins Network for Social Equity<sup>22</sup> and endorsed by NPH:

**A. Encourage jurisdictions through programs like OBAG to adopt effective strategies and programs to help prevent displacement and create affordable housing opportunities**, such as just cause for eviction, rent stabilization, anti-harassment policies, SRO preservation, housing impact fees, commercial linkage fees, and inclusionary policies.

<sup>18</sup> For additional guidance on regional policies to preserve homes near transit, please see the California Housing Partnership Corporation’s “Preservation of Affordable Homes Near Transit Toolkit” at [chpc.net/policy-research/preservation/preservation-strategies](http://chpc.net/policy-research/preservation/preservation-strategies)

<sup>19</sup> “Urban Displacement Project Executive Summary.” December 2015. University of California Berkeley

<sup>20</sup> Marcus, Justice and Miriam Zuk. “Displacement in San Mateo County, California: Consequences for Housing, Neighborhoods, Quality of Life, and Health.” University of California Berkeley: Institute of Governmental Studies. 2017.

<sup>21</sup> MTC Resolution 4202

<sup>22</sup> The 6 Wins for Social Equity Network is made up of the following social justice, faith, public health, and environmental organizations: Alliance of Californians for Community Empowerment (ACCE), Asian Pacific Environmental Network (APEN), Breakthrough Communities, California Walks, Causa Justa :: Just Cause, SF Council of Community Housing Organizations (CCHO), Community Legal Services in East Palo Alto (CLSEPA), Center for Sustainable Neighborhoods, East Bay Alliance for a Sustainable Economy (EBASE), East Bay Housing Organizations (EBHO), Faith in Action Bay Area, Genesis, Housing Leadership Council of San Mateo County (HLC), North Bay Organizing Project (NBOP), Public Advocates, Regional Asthma Management and Prevention (RAMP), Rose Foundation for Communities and the Environment, Sunflower Alliance, Union Community Alliance of San Mateo County, Urban Habitat, and Working Partnerships USA (WPUSA).

## Model

The Urban Displacement Project has found that just cause eviction, rent stabilization, anti-harassment policies, SRO preservation, housing impact fees, commercial linkage fees, and inclusionary policies have helped low-income communities throughout the Bay Area remain relatively stable in the face of rising rents and displacement pressure in local areas including East Palo Alto, Marin City, and San Francisco's Chinatown. Rent stabilization and just cause eviction are now laws in urban and suburban jurisdictions alike in the Bay Area including Mountain View and Alameda, which adopted policies in 2016, and San Jose in 2017.

B. For planning purposes, commit **ABAG and MTC to adopt targets to achieve “no net loss”** of homes affordable to or occupied by low-income households in connection with regional actions and incentives (including infrastructure investment decisions) similar to BART's recently adopted Transit Oriented Policy Performance Measures and Targets.

## Model

While developing its Transit Oriented Development Policy, BART adopted a series of ambitious performance targets, including a target to “ensure that all incomes can live near transit” where they would strive to prevent the displacement of low-income households making less than \$50,000 living within 1/2 mile from a BART station. Moving forward, as new development continues around BART stations, BART will evaluate ways to enact policies to stabilize the communities living around those stations and reduce displacement.

C. **Create incentives for local government to adopt “no net loss” policies** in connection with local planning and development decisions, as well as incentives and technical assistance for local governments to accurately track and maintain real-time data on rents and evictions.

D. **Use the latest research** on displacement trends in the Bay Area from UC Berkeley's Urban Displacement Project, such as taking into account neighborhoods experiencing the highest displacement pressures, to inform regional policy-making, and support its inclusion in local policymaking.

Making these changes will allow the Bay Area to make significant headway on displacement, a problem that threatens the cultural and social fabric of the Bay Area's diverse communities and hits low-income communities and communities of color the hardest. The location of homes near new transit stations, especially rail investment, can support stability, decrease congestion and air pollution, and increase local property values for long-standing residents as long as there are resident protections in place. To accommodate its future population growth, the Bay Area will require new transit stations and new homes; through incentivizing the adoption of local anti-displacement policies, more communities will be able to preserve their neighborhoods while still growing with the rest of the Bay Area.

## 4. Continue to support vital state legislation to advance regional housing goals

MTC and ABAG have played a strong advocacy role at the state level in advancing key pieces of legislation that are vital to the region's future. With 130 housing bills introduced in Sacramento this legislative session, it is particularly important for these agencies to continue their work to support key bills that could raise significant new revenue for affordable housing and forge new opportunities for local affordable housing policies.

ABAG and MTC should continue to support legislation that will help the Bay Area grow in a more equitable and sustainable way. Prioritizing affordable housing at the state level will provide the region with much needed resources and tools to address the affordability crisis.

NPH recommends support for the following policy objectives:

- Create a state-level permanent source of funding for affordable housing development and preservation;
- Expand state-level low-income housing tax credits to fully take advantage of potential federal matches;
- Restore local government’s ability to require that new rental projects include a certain percentage of units as affordable to low-income residents;
- Make it easier for nonprofit developers to acquire affordable homes that are at risk of being converted to market-rate due to expiring deed restrictions;
- Improve the usefulness of community reinvestment areas as a tool to fund affordable housing production;
- Lower voter threshold for approval of local affordable housing bond measures to 55%;
- Place a state affordable housing bond initiative before voters.

## 5. Resource a robust regional housing unit within the joint planning department

As MTC and ABAG consolidate their planning staffs and create a new “Housing and Neighborhoods” group, housing functions can be strengthened as a solution to the region’s transportation problems to support a holistic approach in driving a vibrant, sustainable, and affordable Bay Area.

**A. Ensure that there is dedicated housing staff in the consolidated agency.** To respond to the region’s ongoing housing challenges, the consolidated MTC-ABAG must continue to have dedicated housing staffing commensurate to the issue’s importance in the region. As the agency finalizes staffing and

priorities for its “Housing and Neighborhoods” unit, it must include dedicated and adequate housing staff to continue producing high quality research and monitoring trends in housing issues. Current work includes maintaining a regional housing policy database, producing an annual report of housing permits issued by locations, mapping locations where housing is planned, and documenting the region’s overall housing trends in relation to the economy, and it is vital that this work continues as the agency completes its restructuring.

From MTC’s adoption of a Transit Oriented Development policy in 2005 to the close collaboration between ABAG and MTC in helping jurisdictions adopt PDA plans, the Bay Area has benefited whenever transportation and housing have been closely linked. A dedicated housing team within the joint planning department will greatly strengthen the ability of a unified MTC-ABAG to respond to the region’s housing challenges while still conducting important housing research and providing local planning staffs with assistance to advance regional objectives.

**B. Continue to expand and refine MTC’s various housing incentive and investment programs and research.** MTC has shown leadership regionally and nationally by creating programs that directly invest in housing like the TOAH and NOAH funds, as well as incentivizing and rewarding jurisdictions that permit the most housing in the region (Jumpstart). Such programs should not only be maintained but also refined and expanded.

**C. Continue promising research and planning efforts.** MTC is presently engaged in a multi-year study of the region’s publicly-owned sites in transit-oriented locations while ABAG is seeking to expand the regional housing policy database and improve its mapping capabilities of locations where new homes are being built. These and other research efforts should continue to be resourced under a unified planning department and results should be made available to the public.



The joint MTC-ABAG should also make an explicit commitment to maintain and expand existing planning partnerships and programs. ABAG has important partnerships with local planners to foster alignment between local goals and regional objectives that must continue, including opportunities with 21 Elements, the Grand Boulevard Initiative, and the San Pablo Boulevard Initiative. MTC, for its part, has funded the Priority Development Area (PDA) Planning program where, alongside ABAG, it funds and provides technical assistance to jurisdictions to help them plan for transit-oriented, walkable PDAs.

To date, MTC has funded 52 PDA plans throughout the Bay Area and provided direct technical assistance to a number of jurisdictions.

#### **D. Set a foundation for a successful Committee on Affordable and Sustainable Accommodations (CASA)**

In December 2016, MTC announced the formation of a multi-sector blue ribbon committee to study and develop game changing solutions to the Bay Area's housing affordability crisis. The committee is tasked with building consensus among elected officials, civil society, and other groups on legislation, regulations, and market-based solutions to the Bay Area's affordable housing crisis.

CASA holds great promise to move a regional housing consensus forward with a long-term plan and approach. However, in order to set the foundation for the committee's success and to seize the current opportunities for our communities, MTC and ABAG must continue to work in the short-term to address the region's housing crisis while CASA sets the stage for a longer-term strategy.

## **CONCLUSION:**

### A Longer Term Vision for the Future



The policy recommendations described in this report capture what the region can accomplish in the very near term – over the next two years. When considering the longer-term outlook, there is great potential in a transformational

regional planning and transportation agency. Opportunities include reforming regional governance to be more directly responsive to constituents, using the next Regional Housing Need Allocation process as a platform to advance a regional housing plan, creating a new regional priority development area designation to focus resources more intensely

to foster inclusive and sustainable transit-oriented development, and ensuring that CASA can be an effective body in moving forward game-changing solutions.

*As ABAG and MTC begin researching new potential governance models in 2018, let us seize the opportunity for truly transformational change to create a 21st century regional land use and transportation planning agency that can make the visionary types of investments the Bay Area needs to grow and succeed.*

*NPH is committed to continue its close partnership with MTC and ABAG to ensure that the region's governmental agencies advance a vision for a truly vibrant, sustainable, and affordable future.*

