



Memorandum

TO: CITY COUNCIL

FROM: Mayor Matt Mahan
Vice Mayor Kamei
Councilmember Sergio Jimenez
Councilmember David Cohen
Councilmember Dev Davis

**SUBJECT: BAY AREA AFFORDABLE
HOUSING BOND**

DATE: May 31, 2024

Approved:

Matt Mahan Rosemary Kamei Sergio Jimenez
David Cohen Dev Davis

RECOMMENDATIONS

1. Adopt the resolution in support of the Bay Area Regional Housing Bond on the November 5, 2024 ballot.
2. If voters approve the Regional Housing Bond, direct the City Manager to return with a spending plan in Spring 2025 consistent with state law that reflects the following priorities:
 - a. Fifty-two percent of the funding shall be used for the construction of new affordable housing and be spent consistent with the City's existing Affordable Housing Investment Plan which includes a set aside of 45% for Extremely Low-Income Housing.
 - i. The first issuance of bond proceeds will prioritize the pipeline of projects on the 2023 NOFA waitlist.
 - ii. Prior to issuing any funding, staff shall conduct a comprehensive review of the City's underwriting guidelines and Notice of Funding Availability (NOFA) process and return to Council with proposed cost-control measures to maximize unit production and time savings.
 - b. Twenty-eight percent of the funding shall be used on immediate, low barrier, and flexible solutions that provide safe and dignified shelter. Solutions may include:
 - i. Emergency interim housing.

- ii. Acquisition and rehabilitation of motels/hotels.
 - iii. Acquisition of land for safe parking or safe sleeping.
 - iv. Acquisition and conversion of industrial or commercial buildings.
 - v. Construction of new and/or redesigning of existing congregate shelter.
 - vi. Acquisition of market rate housing to convert to permanent deed restricted housing.
 - vii. Operations and services associated with interim housing if State law is amended to allow for bond proceeds to be used for providing services.
- c. Fifteen percent shall be used for the preservation of affordable housing, with a priority for privately-owned affordable housing developments with expiring deed restrictions.
 - d. If State law is amended to allow for bond proceeds to be used for providing services:
 - i. Five percent of bond proceeds shall be used for tenant protections.
 - ii. If State law is not amended, five percent of the funding shall be used for the construction of new affordable housing in accordance with 2.a.
 - e. Conduct robust community engagement on the spending plan with these priorities before the spending plan returns to City Council for approval.
 - f. Conduct a study session for Council on the spending plan.
- 3. Any changes to the allocations described in Recommendation 2¹ shall require two thirds vote of the city council in addition to complying with applicable state law.
 - 4. Direct the Housing Department and Planning, Building and Code Enforcement to prepare a plan to provide appropriate technical and administrative support, and coordinated efficient permitting, for local funding applications to access the regional funds administered by BAHFA, and return to council with a status report no later than May 6, 2025.

BACKGROUND

AB 1487 (Chiu) established the Bay Area Housing Finance Authority (BAHFA) in 2019 to create regional affordable housing solutions for the nine county Bay Area. BAHFA is the first regional housing finance authority in California and is overseen by the board of the Metropolitan Transportation Commission (MTC) and the Executive Board of the Association of Bay Area Governments (ABAG).

Currently, the Bay Area's nine counties and 101 cities and towns address most housing issues individually, and often with limited staff and financial resources. A regional housing bond can be transformative not only in terms of resources, but also equity, in that every jurisdiction will

¹ Allocations described in Recommendations 2.a., 2.c., and 2.d. reflect local implementation of state law requirements. See Cal. Gov't Code § 64650 (describing expenditure plans and their mandatory minimum allocations).

contribute funding to address our housing shortage. With most funds earmarked to return to source, we can ensure that all communities receive investment. San José's early and robust support is a signal to the region that we must act together to ensure everyone has a safe and stable place to call home.

San José stands to significantly benefit from a \$20 billion bond by receiving approximately \$2.1 billion in funding to allocate within certain limits. The County of Santa Clara would receive approximately \$2.4 billion as well. When combined, these resources could leverage four to five times that amount in State and Federal funding to create or preserve tens of thousands of homes.

San José has led an all of the above strategy on housing and homelessness including low barrier, low cost, shelter for our unhoused residents combined with permanent affordable housing. This approach has reduced street homelessness in our city during a time when homelessness has increased statewide.

However, limited existing funding hamstrings our ability to scale solutions that work. Thirteen developments that would provide 1,527 homes were not funded through the 2023 NOFA. The first issuance of this regional bond could fund this entire pipeline of projects, making a significant impact on affordability in San José. Additionally, we should retain 28% of the funding for immediate, interim, and low barrier solutions that we can bring online quickly while permanent affordable housing is built. However, if we cannot scale and operate those solutions sustainably, the Council should consider re-investing a portion of those dollars in other solutions outlined in this memo.

Finally, the community engagement around this transformational measure will be important to ensure residents have a voice in how these resources will be allocated across our diverse neighborhoods.

The spending outline in this memo was created to be consistent with direction in the authorizing legislation, state law, and BAHFA's guidance on the local spending plan.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.