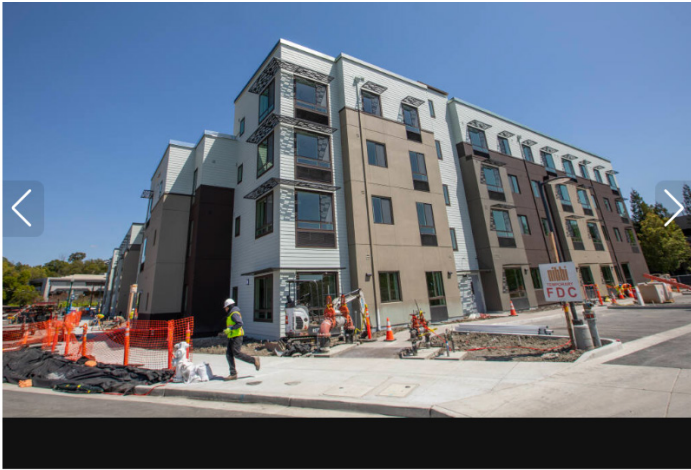


The Press Democrat

Campaign for Bay Area affordable housing bond that could unlock up to \$20 billion starts gaining momentum

Across the nine-county region, it could help build more than 100,000 affordable homes, proponents say.

PAULINA PINEDA || THE PRESS DEMOCRAT || September 27, 2023



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Work continues on the first phase of the affordable senior housing project at the former Journey's End mobile home park on Mendocino Avenue in Santa Rosa as it's nearing completion and residents are expected to begin moving in this

A coalition of Bay Area officials and affordable housing developers is working to advance a bond to next November's ballot that could accelerate affordable housing construction across the nine-county region through an unprecedented influx of taxpayer cash.

The funding measure would be a boon for developers who say it would allow them to tap into even more public funding to complete projects needed to house more of the region's lower and middle-income residents.

The still-preliminary measure, known as Bay Area Housing for All, could unlock \$10 billion to \$20 billion — from annual surcharges on property tax bills — to aid in the construction of up to 119,000 affordable homes regionwide over 10-plus years.

For Sonoma County, that could mean a windfall of \$403 million or as much as \$806 million, depending on the size of the bond.

That could free up money for about 40 projects estimated to add more than 2,200 affordable units

to the region that are in the development pipeline in Sonoma County, according to proponents.

In total, the money could equate to about 6,000 or more new units in the county under the \$10 billion proposal, according to current construction costs, proponents said.

“This is a once-in-a-generation opportunity,” said Michelle Whitman, executive director of the county's Community Development Commission. “There is nobody who is untouched by our housing shortage at this point and this measure would be absolutely transformational.”

The proposal is a big political and fiscal question to voters, who've backed single-county measures to support affordable housing but never faced something of this scope. The 2024 ballot also is expected to be crowded with several other statewide finance measures.

The proposal has elicited early skepticism from taxpayer advocates, including longtime Sonoma County Taxpayers Association Executive Director Dan Drummond, who questioned whether government leaders were capable of efficiently distributing the money to meet the greatest community needs and get residents the best value.

Bond proceeds would be repaid through property taxes. A \$10 billion bond would cost homeowners about \$100 per year on a \$1 million home.

Proponents say the funding could be key to meeting state-mandated housing production just as other one-time government sources run out or are fully allocated.

Collectively, Sonoma County and its nine cities must approve more than 14,500 new homes in the next eight years, about 6,300 of them affordable to very low and low-income residents.

Santa Rosa-based housing advocacy group Generation Housing estimates the need is much greater — with up to 58,000 new units needed by 2030 to meet current and future housing needs. Overall, Sonoma County has about 208,000 housing units.

Generation Housing Executive Director Jen Klose said despite efforts to streamline housing construction over the past decade, the need still outweighs the number of units being added annually.

“While we have 10 jurisdictions that all name housing as one of their priorities, we’re still kind of inching along,” Klose said during a recent interview with The Press Democrat’s Editorial Board. “It has been sort of a pretty methodical incremental approach and at the end of the day production has not increased that much.”

Key points of the proposed bond are still being hammered out, including the final size of the measure. It would need a two-thirds majority to pass — unless a separate measure on the same ballot also passes, lowering the electoral bar to 55% for bonds and taxes that fund affordable housing and public infrastructure projects.

Who is advancing bond?

The proposal represents the first collective effort to tackle housing as a region, though the counties have collaborated to raise funds for transportation and bay restoration projects in recent years.

The measure is being advanced by the Bay Area Housing Finance Authority, with support from a coalition that includes Generation Housing and Santa Rosa-based affordable developer Burbank Housing.

The Bay Area Housing Finance Authority was established by the state Legislature in 2019 to support the construction of new affordable housing and preservation of existing housing across the nine-county region.

The authority grew out of an earlier effort by a group of Bay Area elected officials, housing developers and

Bay Area affordable housing bond taking shape

Here are some of the big questions driving the discussions among government officials, housing advocates and developers and labor representatives involved in hammering out a final proposal for the November 2024 ballot:

HOW LARGE A BOND TO ISSUE?

Early polling is being conducted to see what voters would be willing to support, said Michelle Whitman, who serves on the regional authority’s advisory committee.

Proponents expect a decision will be made by early next year.

HOW MUCH OF THE FUNDING SHOULD THE REGIONAL AUTHORITY RETAIN AND HOW TO DIVVY IT UP?

State legislation says the finance authority can keep up to 20% of the bond proceeds, the majority of which must be dedicated to construction of new rental housing.

Santa Rosa Council member Victoria Fleming, who has been involved in the negotiations, said discussions are ongoing about how to best use this pot of money.

Some officials are skeptical that smaller counties will get their fair share compared to the larger metropolitan areas.

The finance authority has agreed to fund at least one project in each county which could help appease officials.

The regional authority also has more flexibility on how the funding can be used compared to cities and counties.

Ten percent of the funds the authority retains can be used to fund a local government incentive grant program that can help support permanent supportive housing, homelessness assistance and meet infrastructure needs associated with new construction, among other programs, which Fleming said she supports.

LABOR NEGOTIATIONS

Arguably one of the largest stakeholders who could potentially benefit from the bond are worker unions.

Early discussions with various labor groups are underway over labor agreements, including whether the ballot measure will include language regarding a prevailing wage or whether it will default to local ordinances.

Michael Allen, secretary and treasurer of the North Bay Building Trades, said members want to understand whether union labor will be prioritized in new construction projects that are funded.

They also want to get a clearer picture of how preservation funds will be used, he said. Will local officials strictly be looking at preserving existing housing or are they studying the possibility of converting empty office and retail buildings into housing? That could represent more job opportunities for laborers.

The bond measure is likely to represent significant funding and work for union workers, Allen said, but what the impact could be isn’t yet clear.

representatives from large employers including Facebook and Google seeking to address the region's housing crisis, said Sonoma County Supervisor David Rabbitt, who was involved in those early discussions.

Many of the proposals that emerged from that effort, known as the CASA Compact, encountered opposition from officials across Sonoma County.

Plans for a revenue measure on the November 2020 ballot were scuttled with the onset of the COVID-19 pandemic.

Why now?

The housing crisis has only deepened since then, bond proponents say.

Low supply, high prices and inflation have priced out many low- and moderate-income residents from the local housing market, they note. High rents have also left many renters cost-burdened.

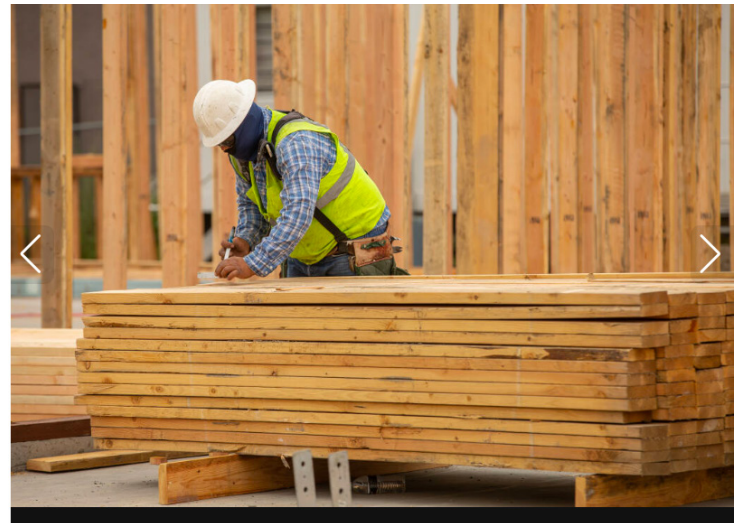
Whitman, who serves on the finance authority's advisory committee, said the high cost of living has made it difficult for employers to attract the necessary workforce to fill vacancies across a number of industries, from hospitality to health care and even local government.

Acute homelessness has also put a spotlight on the need for more housing options, she said. "People are exhausted from the impact of not having enough housing," she said. "The visibility on this issue has set the table for a solution like this."

How would it work? The bond funds could provide loans and grants to build and preserve affordable housing. Funds also will be set aside to provide protection to at-risk tenants and pay for other housing-related needs like infrastructure.

Under the proposal, 80% of the bond funds would be distributed directly to all nine counties, to large cities such as San Jose, San Francisco and Oakland and to cities with 30% or more of the county's overall low-income housing construction obligation, such as Santa Rosa.

Sonoma County could expect to see between \$282 million and \$564 million, depending on bond size, and Santa Rosa could receive \$121 million to \$242 million,



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The Sonoma County Housing Fund is a partnership of the Santa Rosa Metro Chamber and the Housing Trust Silicon Valley. It provides low interest loans to affordable housing developers to help get their projects off the ground. It got started in 2021 and has funded four affordable housing projects in Sonoma County with three more on the way. Del Corazón Apartments on Sebastopol Road, a 77-unit project that broke ground in April 2022, are currently under construction. Photo taken Thursday, May 25, 2023. (Chad Surmick / The Press Democrat file)

respectively.

The bulk of the funding, 52%, must be used to stimulate new housing construction.

Funds dedicated to production are geared to prioritize helping jurisdictions meet their share of extremely low, very low and low income housing production. They can be used for rental or for-sale projects and projects must be deed restricted and affordable to households earning up to 120% of the area media income.

Fifteen percent is set aside to ensure existing affordable housing remains affordable or to convert market-rate housing into affordable units, and 5% of funds can be used to provide rental and eviction assistance to tenants.

Jurisdictions will also be able to tap into a pot of "flexible" funding to be used for housing and housing-related uses.

The shared housing authority will retain 20% of the total bond funds, to use for "regional priorities," officials said.

Revenue from general obligation bonds isn't currently allowed to be used for tenant protections but the ballot measure that would lower electoral hurdles for affordable housing bonds and taxes, Assembly Constitutional Amendment 1, would also free up bond proceeds to pay for such programs.



What's next?

At the local level, county and city officials will need to craft an expenditure plan that outlines how funding will be allocated.

Rabbitt, who serves on the Association of Bay Area Governments and Metropolitan Transportation Commission, said he has spoken with Santa Rosa Council member Victoria Fleming about convening a meeting of city and county leaders to begin identifying priorities and needs.

Some smaller cities across the Bay Area have already protested that the finance authority won't directly allocate funding to all 101 cities in the region.

Getting support from local cities will be crucial to the measure moving forward.

Cities that have build-ready projects could stand to gain the most, Whitman signaled.

"You want the money to go out as quickly as possible," she said. "It won't help if you have the financial ability to build but don't have any projects that are ready to go."

Some types of housing projects and affordability levels may also benefit more from the public assistance than others, Whitman said, such as housing aimed at the lowest earners.

Rabbitt said the funds could help encourage the construction of more mixed-income housing projects which typically don't qualify for tax credits, leaving the market-rate housing to subsidize the affordable housing. Those costs are often passed on to residents in

the form of higher rents.

What's at stake for developers?

Matthew Franklin, president and CEO of MidPen Housing, one of the largest affordable housing developers in Northern California, said developers often rely on public subsidies for affordable housing projects to pencil out financially.

But the biggest share of public aid for affordable developments in recent years is set to dry up. The bulk of private financing needed to advance projects can be hard to come by, he said.

Given voter approval of the bond, developers could leverage the local funds to secure competitive state and federal money or use the boost to clear financial roadblocks, he said.

For MidPen, the funding could be a gamechanger for three local projects, including the 75 affordable housing units in a long-awaited housing and commercial project on Sebastopol Road in Roseland known as Tierra de Rosas.

Two other projects, one outside of Sonoma and one in Petaluma, that could create an additional 122 affordable units, could benefit from the bond, too, Franklin said.

"The housing market is so broken and any solution like affordable and permanent supportive housing ... is all really expensive," he said. "This could make the difference between a project being built and not."

Campaign taking shape

Fleming, who serves on the Metropolitan Transportation Commission, whose members make up the regional housing authority board, said there's a greater understanding that addressing the housing crisis is an urgent priority.

The prohousing movement has grown exponentially in the past few years, she said, and opposition to projects from neighbors in many cases has been less prominent.

She thinks there's support for the measure but she isn't sure if it's enough to pass.

Regionwide polling this spring showed support for a regional funding measure hovered around 58%, Klose said.

Numerous affordable housing measures and bonds across the region, however, have failed at the ballot in the past five years. Those unsuccessful proposals included a 2018 bond in Santa Rosa that would've generated \$124 million for affordable housing.

It could take a robust public campaign to garner the needed support from local officials, labor and other interests groups and voters for the measure to be successful.

That effort is getting underway.

Housing advocacy groups including Generation Housing and affordable housing developers have begun to meet with elected officials and other stakeholders to rally support for the bond.

Generation Housing last Friday issued a call to action urging Sonoma County and its nine cities to support a resolution endorsing the bond measure.

It's part of a multipronged platform that the group says could spur critical housing construction.

Proposals include waiving certain fees for affordable projects, streamlining the development process and eliminating minimum parking requirements for all housing developments.

"These are five things that we think are doable by everybody and that together can make a real difference moving the needle by sort of attacking the housing crisis and our barriers in different ways," Klose, the executive director, said. "We are saying to our local jurisdictions if housing is a priority it's time to walk that talk."

That could help the region become more attractive to developers and make the area more competitive for the regional funds, Klose said.

Drummond, the Sonoma County Taxpayers Association executive director, said voters should be wary of the proposal.

Elected officials have shown that a windfall of money alone isn't enough to tackle large societal issues, he said, pointing to what he described as unsuccessful efforts to address persistent homelessness despite millions of dollars being funneled to solutions.

He also raised concerns that money would be diverted to special interests groups or monopolized by large players in the affordable housing realm rather than on assisting residents.

But with detailed plans still to be unveiled, he's said he's willing to hear out proponents.

"There's no doubt that we have a housing problem here. I just don't have any confidence that government has the ability to tackle this successfully," he said. "I know that sounds like an old curmudgeonly thing to say but that's just where I'm coming down on this. But I'm willing to listen and see what government and proponents have to say."

Transparency with voters will be key, said Franklin, the MidPen CEO.

They will want to know how the money is being spent, ensure there are tangible impacts and ways to measure progress toward regional and local goals, he said.

"Awareness of the problem is at an all-time high. With that has come an awareness about how central housing is to other issues like employment, education and health," Franklin said. "I absolutely think this could win and that it's the right ballot for an ambitious measure like this."

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