



METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Commission

DATE: March 19, 2014

FR: Executive Director

W. I.

RE: Transit Oriented Affordable Housing

Background

The provision of affordable housing for low income households and the over-arching issue of housing affordability have been significant policy concerns in the San Francisco Bay Area for over 25 years. For a variety of reasons the Bay Area has under-produced housing proximate to job centers for low and moderate income workers resulting in the region being the nation's 1st or 2nd most expensive housing market.

SB375 requires that Plan Bay Area identify a forecasted development pattern to house 100 percent of the region's projected population growth. In recent decades increasing numbers of workers employed in the Bay Area have moved to adjacent regions in search of affordable homes due to the high cost of housing in the region. The success of Plan Bay Area hinges on channeling growth to in-fill areas, increasing the region's investment in public transit and expanding the supply of housing for the region's workforce.

MTC and Housing Affordability – To Date

MTC has a long, well regarded role relative to advancing transit-oriented affordable housing. MTC is the only Metropolitan Planning Organization in California that is a separate entity from the regional Council of Governments and thus does not have primary responsibility for the regional housing needs process. Nonetheless, MTC has developed and initiated a number of programs and policies that serve as national models for advancing Transit Oriented Development (TOD). Given the Bay Area's challenges related to housing affordability and the relationship between housing densities in station areas and transit ridership, MTC's TOD efforts to date have largely focused on using non-housing funds to incentivize housing production and planning in Priority Development Areas.

MTC's TOD efforts have included the following:

- *Resolution 3434 – TOD Policy*
- *Transportation for Livable Communities (TLC) program*
- *Station Area/Priority Development Area planning program*
- *One Bay Area Grant (OBAG) program*
- *Transit Oriented Affordable Housing (TOAH) Program*

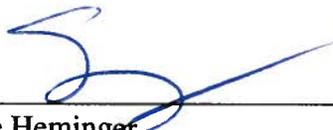
Bay Area Housing – Current Context

Since 1998-2001, the Bay Area's economy has experienced dramatic peaks and valleys that have driven housing prices to rise and fall. Most recently rents and property values have risen significantly in areas close to job centers creating a housing affordability challenge for low, moderate and even many above-moderate income households. Relative to the provision of affordable housing for very low, low and moderate income households, the elimination of Redevelopment Agencies also abolished the primary source of equity or grant funding for affordable housing in California. As a result, in the midst of rapidly rising land values in strong market communities (e.g. San Francisco, Peninsula cities) affordable housing providers lack a critical funding component for otherwise viable projects. In weaker market communities (e.g. Richmond, Vallejo) the loss of redevelopment-related funding affects both affordable and market rate TOD projects that require grant funding to pencil out. These types of development projects can serve as catalysts for market-rate development in Priority Development Areas. Given the loss of redevelopment-related funding for affordable housing, the spend-down of state-level bond measures and cuts in various federal programs including several Housing and Urban Development (HUD) related fund sources, there is currently a significant shortage of affordable housing funding in the Bay Area.

MTC and Affordable Housing – Going Forward

The adoption of Plan Bay Area, the loss of redevelopment funding, and the ongoing employment boom in much of the Bay Area is resulting in an increasing push by foundations, advocacy organizations and other entities for MTC to expand its leadership in the housing arena. The call for MTC to take on a larger role is related in part to the agency's successful TOD efforts to-date, its financing capacity and widely held positive view of the Commission as an effective, regional agency. An alternative view is that growing attention on housing by MTC goes too far beyond the core mission of MTC. Outlined in Attachment A are 3 potential roles that the Commission could play to incentivize affordable housing, increase housing production in the region, and accelerate the implementation of Plan Bay Area.

We look forward to hearing your perspectives.



Steve Heminger

SH:kk

Attachment A: Affordable Housing – Options Now

1. Close the Funding Gap for Affordable Housing

The TOAH Fund is a revolving \$100 million loan fund that was initiated by a \$10 million contribution by MTC. The Commission’s initial investment as well as a subsequent \$10 million investment has been leveraged 4:1 by investments from foundations, community investment funds and traditional lenders. To date, TOAH has funded eight fully affordable or mixed-income developments in transit-rich PDAs. All of the TOAH developments have site control and are shovel ready. However, construction has not yet commenced on any of these projects due to the lack of equity or “gap” funding (that does not need to be re-paid) due to the elimination of redevelopment funding and the lack of state-level bond funding for affordable housing.

There are an additional six TOAH projects with 320 units moving through the pipeline that, barring the identification of an equity funding source, will face a similar barrier to development. In addition, Low Income Investment Fund (LIIF) staff has estimated that there are ten additional proposed affordable or mixed-income projects that are shovel-ready, located in PDAs, but are also on-hold due to a lack of gap funding. These ten projects would in aggregate provide approximately 1,000 housing units. Table 1 below summarizes the TOAH and other shovel-ready projects.

Table 1 – TOAH Project Status

Project Category	Number of Projects	Number of Units	Completed Projects
TOAH Shovel-Ready	8	840	--
TOAH Pipeline	6	320	--
Other Shovel-Ready	10	1,000	--
TOTAL	24	2,100	--

Proposed Solution:

Establish a regional PDA Affordable Housing Fund to provide gap funding for approximately 2,000 units of housing in shovel-ready projects in PDAs. This model would leverage an initial contribution from MTC with funding from foundations and the business sector, including technology firms to build viable, ready-to-go projects in the near-term. The fund would serve as a model for disseminating funds from a future permanent source of funding established through state legislation to fund affordable or mixed-income housing in Priority Development Areas.

Key Players/ Contributors:

- MTC
- Local and regional foundations
- Business Sector

Current Status:

MTC staff is assembling list of shovel-ready affordable housing developments in Priority Development Areas. Business Sector and foundations associated with the TOAH Fund have expressed interest in providing gap funding for shovel-ready projects.

Consideration:

Should MTC build upon planning support currently being advanced with a financial contribution to a regional PDA Affordable Housing Gap Fund to advance projects in the near-term? Should MTC advocate for a regional affordable housing gap fund to address the lack of gap funding on an ongoing basis?

2. Support Mixed-Income Housing near Rail Transit

Plan Bay Area directs 75% of the region's future housing growth to PDAs. The Plan also directs a substantial amount of funding toward the region's Core Capacity transit systems (AC Transit, BART, MUNI, and VTA) and identifies funding to electrify and modernize Caltrain. BART and to a lesser degree Caltrain have landholdings that have long been considered as future or potential TOD sites. In an era in which redevelopment funding has been eliminated impeding TOD development in weaker markets and land supply for infill development is constrained in many strong market locations, under-utilized publicly-held land (e.g. vacant land, surface parking sites, etc.) represent a significant opportunity to attract and synergize development in rail-served PDAs. These sites may also provide an opportunity to accelerate the development of mixed-income housing by developing a strategy that accelerates the use of key sites for TOD, including mixed-income housing.

There are several hundred under-utilized parcels within key PDA corridors served by the region's major regional rail systems. A number of innovative strategies related to land disposition, value capture and identifying near and long-term opportunities related to locational factors and market strength in the near term and longer term could be employed. The approach could potentially serve as a new public-private partnership, building upon the significant interest on the part of foundations and the business sector in addressing housing affordability in the region. MTC's role as a lead leveraging agency and regional convener with significant investments in the core capacity systems would be a key component of this effort.

Potential Key Players/Contributors

- MTC
- BART, Caltrain, SMART
- Foundations
- Business Sector
- Local Jurisdictions

Current Status:

BART staff has begun analyzing a limited number of station areas to potentially accelerate making sites available for TOD and has expressed interest in partnering with MTC on a Rail Corridor Study. Foundations, the Great Communities Collaborative and affordable housing organizations are advocating for the use of publicly-owned lands in station areas for affordable housing within mixed-income developments. MTC staff is prepared to begin a scope of work for a Study of Public Lands near Transit that will identify under-utilized publicly-held lands within PDAs served by BART, Caltrain and potentially SMART.

Consideration:

Should MTC incentivize transit funding for transit agencies that make transit-adjacent land available at a discounted rate for affordable housing in mixed-income developments? Should local jurisdictions that provide land for affordable housing in rail served-PDAs be prioritized for future OBAG funding?

3. One Bay Area Grant 2.0

The One Bay Area Grant (OBAG) program is MTC's most recent and significant effort to support housing development through the allocation of transportation-related infrastructure funding. In partnership with the Congestion Management Agencies (CMAs), OBAG has resulted in significant funding directed toward Priority Development Areas, state certification of all but one of the region's local General Plan housing elements, and the development of PDA Investment and Growth Strategies in each county to help align future funding distributions with expected growth in Plan Bay Area.

As the Commission considers whether or how to revise OBAG in advance of the next funding cycle, the opportunity exists to consider new or revised requirements to further strengthen the connection between housing production at the local level and the OBAG funding distribution.

Potential funding criteria for the next cycle of OBAG could include:

- Jurisdictional and/or PDA Housing Production
- Jurisdictional and/or PDA Housing Production for very low, low, moderate income households
- Permit streamlining and project entitlement efficiency at the local level
- Identify Transit Oriented Affordable Housing as an eligible use of county-level OBAG funds

Potential Key Players/Contributors

- MTC
- CMAs
- Local Jurisdictions

Current Status:

MTC staff presented the OBAG Report Card outlining the 1st cycle of OBAG relative to funding distribution and policy impacts across the regions. Staff will provide an initial outline of recommendations for updating OBAG later this year.

Consideration:

Should MTC prioritize future OBAG funding specifically for local jurisdictions that are successfully expanding the supply of housing including affordable housing?