



**METROPOLITAN
TRANSPORTATION
COMMISSION**

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COMMISSION WORKSHOP

**Hyatt Regency San Francisco
5 Embarcadero Center, Waterfront Conference Rooms C, D, and E
San Francisco, CA 94111**

December 14, 2016

AGENDA

Wednesday, December 14, 2016

Noon –Lunch

1:00 p.m.

1. Welcome/Workshop Overview

Chair Cortese

2. Regional Measure 3

Randy Rentschler/Anne Richman

**3. MTC/ABAG Staff Consolidation
Update**

Alix Bockelman/Brad Paul

3:00 – 3:15 p.m. BREAK

3:15 p.m.

4. Regional Housing Policy

Steve Heminger/Ken Kirkey

5. Other Business/Public Comment

Chair Cortese

6. Adjourn

5:00 p.m. RECEPTION

A quorum of this commission shall be a majority of its voting members (10).

Public Comment: The public is encouraged to comment on agenda items at Commission meetings by completing a request-to-speak card (available from staff) and passing it to the Commission secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

Meeting Conduct: If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Commission may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

Record of Meeting: Commission workshops are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment.

Accessibility and Title VI: MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6700 for TDD/TTY. We require three working days' notice to accommodate your request.

可及性和法令第六章：MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者，請致電 510.817.5757 或 510.817.5769 TDD / TTY。我們要求您在三個工作日前告知，以滿足您的要求。

Acceso y el Título VI: La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6700 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

For transit information from Bay Area destinations or for more details, use the 511 Transit Trip Planner at www.511.org (<http://www.511.org/>)or call 511 to plan your trip.



**METROPOLITAN
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Agenda Item 2
Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105
TEL 415.778.6700
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Memorandum

TO: Commission

DATE: December 8, 2016

FR: Executive Director

RE: Regional Measure 3

Background

Included in the Commission's Draft Advocacy Program for 2017 is a recommendation that the Commission sponsor legislation authorizing MTC to place on the ballot a measure asking Bay Area voters to approve a bridge toll increase to fund congestion relief projects for improved mobility in the bridge corridors. This memo and the attachments include information for your discussion and policy direction as we seek to pass legislation in 2017 to achieve this goal.

Attached to this memo are the following documents.

- A map showing the major investments included in Regional Measures 1 and 2 – RM1 and RM2 (Attachment A)
- Key Policy Considerations (Attachment B)
- Charts that include data on the county of origin of the toll payers, the relative size of the toll collections at each of the toll bridges and registered voter information (Attachment C)

Process

Unlike local sales tax measures where the Legislature has provided a general grant of authority to a county to create an expenditure plan to be placed on the ballot, RM1 and RM2 included an expenditure plan written and adopted by the Legislature as part of its normal bill passage process. The toll program is also unique in that it is regional in nature and the tolls are pooled together to fund projects throughout the bridge system. The toll revenue provides a benefit to those paying the fees (i.e. toll bridge users) or mitigates for the activity associated with the fees. As fees, toll increases are subject to a simple majority vote, rather than two-thirds. In the case of RM1 and RM2, and MTC's regional gas tax authorization statute, the vote is tallied region-wide, rather than county-by-county.

In 2003, when RM 2 was under consideration by the Legislature, then Senate Pro Tem Don Perata created a special Select Committee that held a number of public hearings to solicit public input on the expenditure plan. Concurrently, MTC hosted a Technical Advisory Committee that met monthly to provide interested parties — transit operators, CMA's and other stakeholders — an opportunity to propose projects and discuss the attributes of proposals as they emerged in an open public forum.

We expect a similar process to begin in earnest when the Legislature convenes in January 2017, with a goal of passing a bill in 2017 so that a measure can be placed on the ballot in 2018.

Workshop Focus

At your December workshop, staff hopes to solicit your guidance on the key policy considerations and draft principles outlined in Attachment B as well as any other related issues of concern to the Commission. We would expect to return to the Legislation Committee at regular intervals in 2017 to review further details about the Regional Measure 3 bill as it develops, including specific projects proposed for potential funding.


Steve Heminger

SH:RR
Attachments



Voter Approved Toll Bridge Measures Deliver Big Returns

Year after year, in good economic times and bad, Bay Area residents rank transportation as one of their highest priorities. Voters have proved this time and again at the ballot box, including through the passage of Regional Measure 1 in 1988 and Regional Measure 2 in 2004. These measures raised tolls on the Bay Area’s seven state-owned toll bridges — and delivered dozens of the most important transportation investments of the past generation.

With these projects now completed or under construction, it’s time for voters to consider a third regional measure for the Bay Area’s next generation of improvements.



New Benicia Bridge
Long backups on northbound Interstate 680 in Contra Costa County vanished after the 2007 opening of the new Benicia-Martinez Bridge.



Cordelia Truck Scales
The 2014 relocation of the Cordelia Truck Scales is a key piece in the \$100 million package of Regional Measure 2 projects to speed up traffic through Solano County.

Legend

- Regional Measure 1 Capital Project
- Regional Measure 2 Capital Project
- Regional Measure 2 Operational Project

RM1 & RM 2 projects.ai | 2.3.15



New Carquinez Bridge
Thousands of people turned out in late 2003 to celebrate the opening of the Al Zampa Bridge linking Solano and Contra Costa counties.



Third Street Light Rail
San Francisco’s T-Third light-rail project provided faster and more reliable connections between downtown and the city’s southeastern neighborhoods.



San Mateo Bridge Widening
The late Congressman Tom Lantos was on hand in 2003 to cut the ribbon for the newly widened San Mateo-Hayward Bridge.



BART Warm Springs Extension
BART’s Warm Springs extension project, the first part of the ongoing extension to San Jose, will be completed in the fall of 2015.



Caldecott Fourth Bore
Regional Measure 2 delivered \$45 million for the long-needed Caldecott Tunnel Fourth Bore project.



BART-OAK Connector
The 2014 completion of the BART connection to Oakland International Airport was made possible by more than \$140 million of Regional Measure 2 funding.



I-880/SR 92 Interchange
State Route 92 fell from the list of most congested Bay Area freeways following completion of a Regional Measure 1 project to replace its interchange with Interstate 880.

REGIONAL MEASURE 1	Amount (\$ millions)
New Benicia-Martinez Bridge	\$1,200
Carquinez Bridge Replacement	\$518
Richmond-San Rafael Bridge Rehabilitation	\$117
San Mateo-Hayward Bridge Widening	\$210
I-880/SR 92 Interchange Replacement	\$235
Bayfront Expressway Widening	\$36
Richmond Parkway	\$6
US 101/University Avenue Interchange Improvements	\$4

REGIONAL MEASURE 2	Amount (\$ millions)
Transbay Transit Center ¹	\$353
e-BART/Hwy 4 Widening ²	\$269
BART to Warm Springs ^{1,2}	\$304
BART Oakland Airport Connector ¹	\$146
Solano Co. I-80 HOV Lanes & Cordelia Truck Scales ¹	\$123
SMART Rail	\$82
AC Transit Bus Rapid Transit ²	\$78
Transit Center Upgrades and New Buses (Regionwide)	\$65
I-580 HOV Lanes	\$53
Ferry Vessels ²	\$46
Caldecott Tunnel Fourth Bore	\$45
Transit Technology (Clipper®, 511®, Signals)	\$42
Contra Costa I-80 HOV Lanes	\$37
BART Tube Seismic Retrofit ²	\$34
San Francisco Third Street Light Rail	\$30
BART Central Contra Costa Crossover	\$25
Safe Routes to Transit Projects	\$23
Other Regional Projects	\$356
Transit Operations Support (Annual)	\$41

¹ Amount shown includes other toll revenue in addition to RM2
² Under construction



Draft Principles for Regional Measure 3

Bridge Nexus

Ensure all projects benefit toll payers in the vicinity of the San Francisco Bay Area's seven state-owned toll bridges

Regional Prosperity

Invest in projects that will sustain the region's strong economy by enhancing travel options and improving mobility in bridge corridors

Sustainability

Ensure all projects are consistent with Plan Bay Area 2040's focused growth and greenhouse gas reduction strategy

State of Good Repair

Invest in projects that help restore bridges and transportation infrastructure in the bridge corridors

Demand Management

Utilize technology and pricing to optimize roadway capacity

Freight

Improve the mobility, safety and environmental impact of freight

Resiliency

Invest in resilient bridges and approaches, including addressing sea level rise



Regional Measure 3 — Key Policy Considerations



When should the vote take place?

We recommend either the primary or general election in 2018. This will require the Legislature to pass the enabling legislation no later than the end of August 2017.

How large of a toll hike should we seek?

A comparison of the revenue yield from a \$1–\$3 toll surcharge as well as a comparison of toll rates on other bridges are shown in the tables below. A multi-dollar toll surcharge could be phased in over a period of years.

Toll Surcharge Amount	Annual Revenue	Capital Funding Available (25-year bond)
\$1	\$127 million	\$1.7 billion
\$2	\$254 million	\$3.3 billion
\$3	\$381 million	\$5.0 billion

Toll Rate Comparisons

Facility	Standard Auto Toll	Carpool Toll
BATA Bridges	\$5.00	\$2.50
Golden Gate Bridge	\$7.50/\$6.50 Plate/FasTrak	\$4.50
MTA Verrazano Narrows Bridge	\$11.08 ¹ /\$16.00 EZ-Pass/Cash	\$3.08 ^{1,2}
Port Authority of New York/New Jersey (Bridges and Tunnels)	\$10.50/\$12.50/\$15.00 Off-Peak/Peak/Cash	\$6.50

¹Results from EZ-Pass discount rate

²Average rate, based on 24 trips



Which counties should vote on the toll increase?

Regional Measure 1 (1988) and Regional Measure 2 (2004) were placed on the ballot in only seven of the nine Bay Area counties; Napa and Sonoma were excluded. We propose that all nine counties be included in Regional Measure 3.

Should toll revenue be used for operating purposes?

If a portion of toll revenue is reserved for operating funding (such as to subsidize transit service), the capital funding shown in the table on the prior page would be reduced. For example, for every 10% of total revenue reserved for operating purposes under a \$2 toll scenario, the capital yield from toll revenue bonds would be reduced by approximately \$300 million. Accordingly, we recommend restricting operating funding to the smallest possible amount. If an operating program is created, we recommend establishing performance standards similar to those in Regional Measure 2 as a condition of funding eligibility.

Should congestion pricing be expanded?

The \$6 peak/\$4 off-peak weekday toll on the San Francisco-Bay Bridge has successfully reduced congestion on that span by encouraging some commuters to change their time or mode of travel. The \$6/\$4 differential toll also raises about the same amount of revenue as would a flat \$5 toll on that span. To further reduce congestion, we suggest consideration of a greater discount between the peak and off-peak rate for the Bay Bridge in Regional Measure 3.

Should a FasTrak® discount be authorized?

The Golden Gate Bridge district offers FasTrak Discounts to incentivize more drivers to sign up for FasTrak, since electronic toll collection significantly speeds up traffic throughput on the bridge. RM 3 is an opportunity to remove a statutory restriction that currently prohibits BATA from offering similar FasTrak discounts. We recommend pursuing this change to help reduce delays and associated emissions.

Should trucks pay an additional toll?

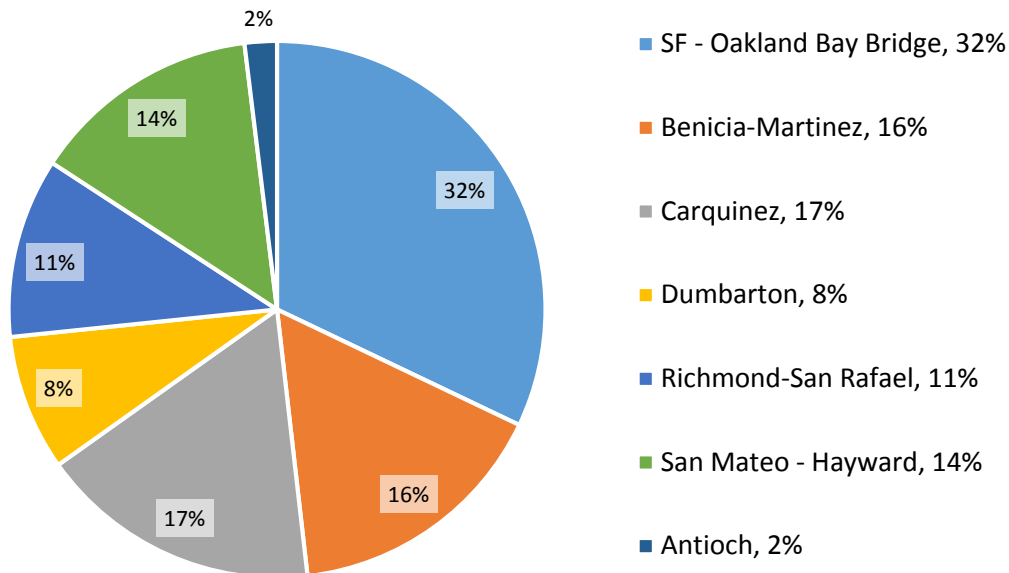
The last toll hike approved by the Bay Area Toll Authority (BATA) in 2010 included a substantial increase in the axle-based rate paid by commercial vehicles and trucks. As a result, we recommend that Regional Measure 3 be a flat surcharge added to all vehicles crossing the seven state-owned bridges.

What kind of projects should be considered for funding?

Since bridge tolls are fees and not taxes, the use of toll revenue should benefit the payers of the fee. In other words, the projects funded by Regional Measure 3 should provide safety, mobility, access, or other related benefits in the toll bridge corridors. Regional Measure 1 funded primarily a small set of bridge replacement and expansion projects. By contrast, Regional Measure 2 funded a much larger set of both bridge, highway, and transit projects in the bridge corridors. Given the region's significant needs on all modes, we expect that Regional Measure 3 will resemble its immediate predecessor in the breadth and modal mix of projects.

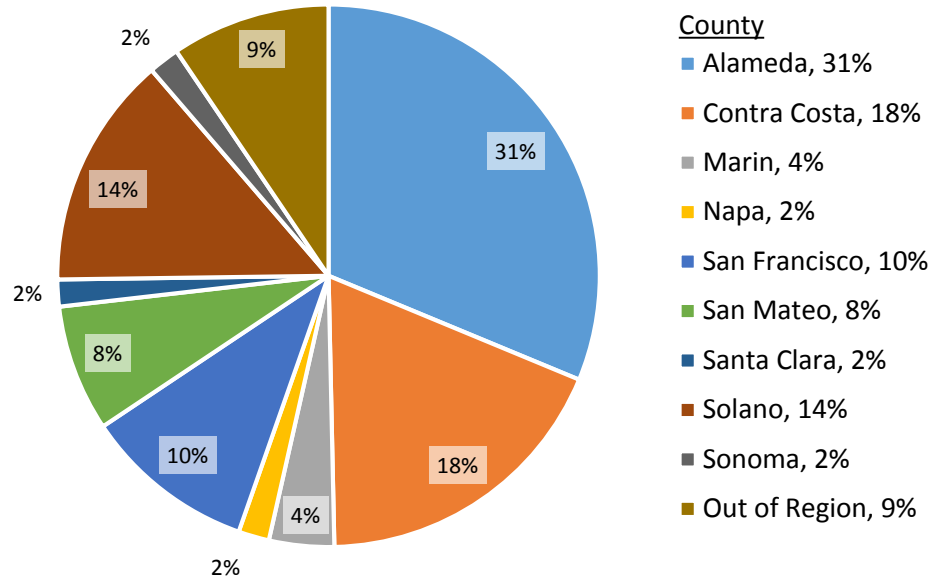


Share of Bridge Toll Revenue by Bridge



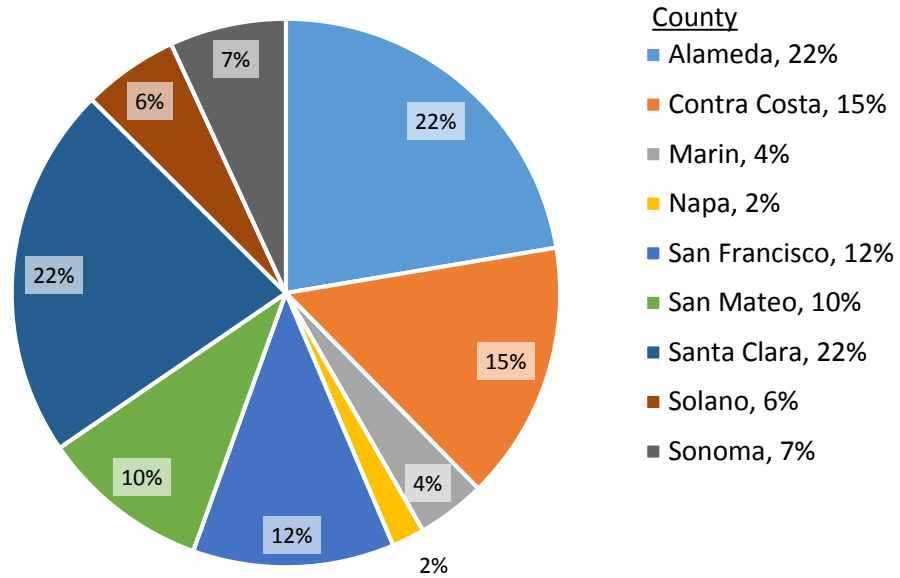
Source: FY16 Toll Revenues Collected by Bridge, MTC Comprehensive Annual Financial Report, June 30, 2016

Share of Toll Revenue by County of Residence



Source: 2015 MTC FasTrak Data - Average Typical Weekday Transactions by County of Billing Address

Share of Voters by County



Source: 2016 California Secretary of State Report of Registration (registered voters by county as of 10/24/2016)



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Agenda Item 3

Bay Area Metro Center
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Memorandum

TO: Commission

DATE: December 8, 2016

FR: MTC Executive Director

RE: Update on the MTC / ABAG Staff Consolidation Effort

In late May, both the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Government (ABAG) Executive Board voted to support full functional consolidation of ABAG and MTC staff and the consideration of new governance options. This action retains the independence and statutory responsibilities of both boards and calls for new governance options to be considered by ABAG and MTC over the longer term. This plan — known as “Option 7” — was one of seven options identified by our joint consultant, Management Partners, and presented to MTC and ABAG last spring.

Transitioning from this larger policy decision to implementation of Option 7 requires that many additional details be worked out. Management Partners began the effort by preparing an Implementation Action Plan (IAP) last spring that identifies next steps. The Commission and ABAG’s Executive Board approved the IAP at their June 2016 meetings. The IAP calls for a sequence of some 40 actions to make the vision of a consolidated staff a reality. As one of the first steps, MTC began conducting due diligence, including financial and legal analyses undertaken by PFM and Orrick to determine the impacts on both ABAG and MTC of a staff consolidation. This due diligence has concluded and key findings will be presented at your workshop next week. Initial findings were presented to the Joint MTC Planning Committee with the ABAG Administrative Committee on October 28th.

ABAG and MTC also began developing a Contract for Services (contract) to officially consolidate the two staffs under the MTC executive director. This contract will ensure adequate staffing and support for all of ABAG’s statutory duties and responsibilities as the Bay Area’s Council of Governments, or COG. The Contract for Services will be the governing document on how ABAG and MTC successfully work together to ensure ABAG’s mission and obligations are met with its members, grantors, partners, and ABAG enterprise entities. Staff will share the key terms that are under discussion at your meeting next week. The contract must be agreed to by both boards before staff consolidation can occur.

Another important element of the IAP is the development of a Memorandum of Understanding (MOU) to address how and when to determine the answer to the open question of future governance structure of the two agencies. The MTC Chair and ABAG President are recommending that the MOU establish January 1, 2020 as the date by which each board agendize consideration of future governance structures.

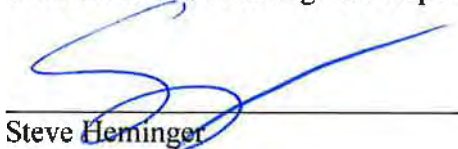
As part of this transition, we established an Employee Relations Group consisting of members of the MTC Committee for Staff Representation (CSR) and ABAG's SEIU leadership teams, along with the HR Directors and Executive Management of MTC and ABAG, to discuss labor issues inherent in this staff consolidation. The Employee Relations Group has met four times to date with another meeting being scheduled for mid-December. We have also engaged CalPERS to obtain confirmation that there are no negative or unforeseen effects on ABAG's pension liability as a result of the MTC/ABAG staff consolidation. It will be important to get this determination prior to approval of the contract for services.

Also related to the employee transition element of the due diligence, MTC engaged Koff & Associates to document and compare MTC and ABAG employee programs, including classifications, organizational structure, jobs and employee programs. A kick-off meeting to review the scope of this effort was held with the Employee Relations Group in early August. In late September, Koff staff met separately with ABAG planners, MTC planners and the Employee Relations Group to explain the Position Description Questionnaires (PDQ) they are asking planners at both agencies to fill out to help Koff better advise MTC and ABAG on how best to consolidate planners into a single productive and efficient regional planning department. In mid-October, similar meetings were held with the rest of ABAG's staff and a representative sample of MTC's remaining staff. The PDQ process and interviews, where needed or requested, are being completed this week. We expect findings and recommendations for the planning staff in mid-December and for the remaining staff in early January.

Finally, we are in the process of hiring a consulting team to support and inform the integration of the MTC Planning Section and the ABAG Department of Planning and Research into one unified, integrated regional planning program. We hope to engage a firm in early January (this effort has proven more time consuming than expected in staff's last update) that has significant expertise and experience related to organizational change, short- and long-term strategic planning and human resources including best practices pertaining to team building for newly merged or expanded entities.

We look forward to presenting the legal and financial due diligence findings as well as key terms from the draft contract for services with you next week and getting your policy direction on these efforts. This will help guide the completion of additional implementation steps over the next several months with the goal of bringing a Contract for Services to the Commission and ABAG Executive Board for approval in February 2017, with the staff consolidation to occur soon thereafter by April 1st. The MTC-ABAG funding agreement was extended to March 31st to align with this timeline for completing the contract for services and transitioning the ABAG employees to MTC service.

The attached power point slides present further detailed results of the due diligence steps that we have completed to date.



Steve Heminger

Attachments: Presentation Slides

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Update on the MTC / ABAG Staff Consolidation Effort

COMMISSION WORKSHOP

DECEMBER 14, 2016

Implementation Action Plan Status Report

- Financial Due Diligence
- Legal Due Diligence
- Enterprise Governance Review
- Employee Relations Group
- Human Resource Review
- Contract for Services/Governance MOU
- Next Steps / Timeline

Major Findings – Financial Due Diligence

- **Finding #1:** Current ABAG revenues will not cover existing services without changes in operations (these findings are consistent with the Management Partners financial analysis finding from the Spring of 2016)
- **Finding #2:** Pension costs will increase for both MTC and ABAG staff. The ABAG unfunded liability will stay with ABAG
- **Finding #3:** Retiree health costs will increase with the provision of benefits, but no expected offsetting revenues. Current Trust fund monies will offset current ABAG retiree costs
- **Finding #4:** MTC can close the budget deficit by strategically reducing costs and services
- **Finding #5:** ABAG dependence on grants is not matched by management of those grants—needs to be a major focus when moved to MTC
 - Overhead charged to grants cannot be increased until grants are renewed or replaced
- **Finding #6:** Unable to verify current grant data (balance, ABAG funding, overhead allowance) for grants from the Finance department. Latest data provided by ABAG Finance was from the spring of 2015
- **Finding #7:** ABAG centralized budget and general ledger accounting systems do not provide data sufficient to fully understand the ABAG financial systems (e.g., detailed budget data is not available for the current fiscal year)

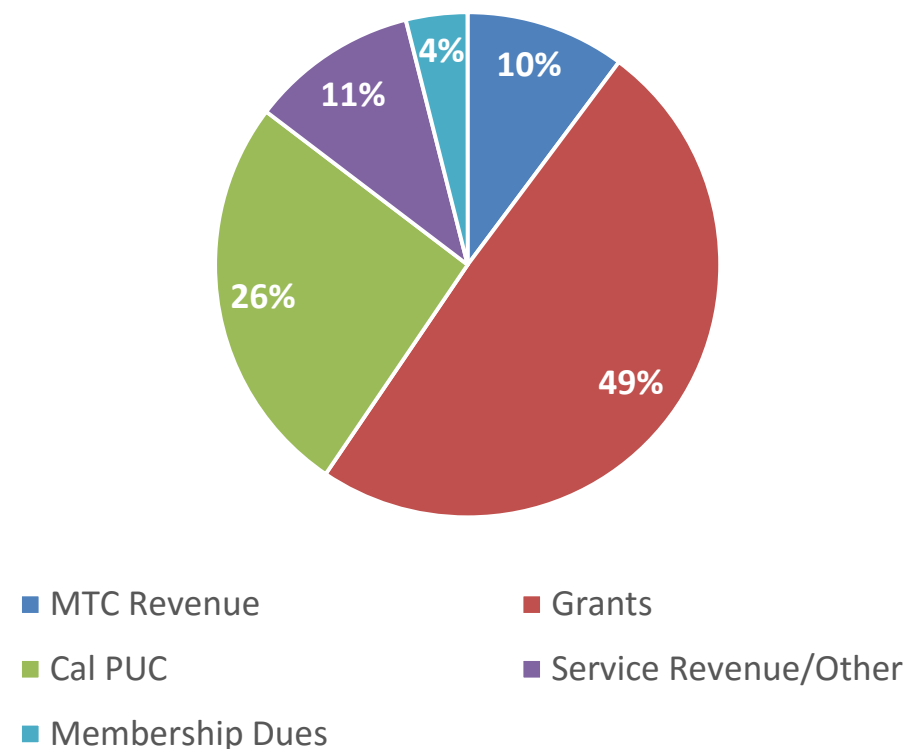
Major Recommendations

- Balance revenues and expenses for the ABAG programs
- Develop plan to address unfunded pension and retiree health liabilities
- Implement management controls on ABAG systems

ABAG Revenues | Heavy Reliance on Grants

- 85% of ABAG's revenue comes from MTC, the PUC, and other State and Federal grants
- The reliance on grant revenues creates a risk of future funding fluctuations
- Ongoing grant revenues must be sufficient to fund:
 - Program Staff
 - Consulting Costs
 - Administration and Overhead

ABAG FY2017
Revenues by Category

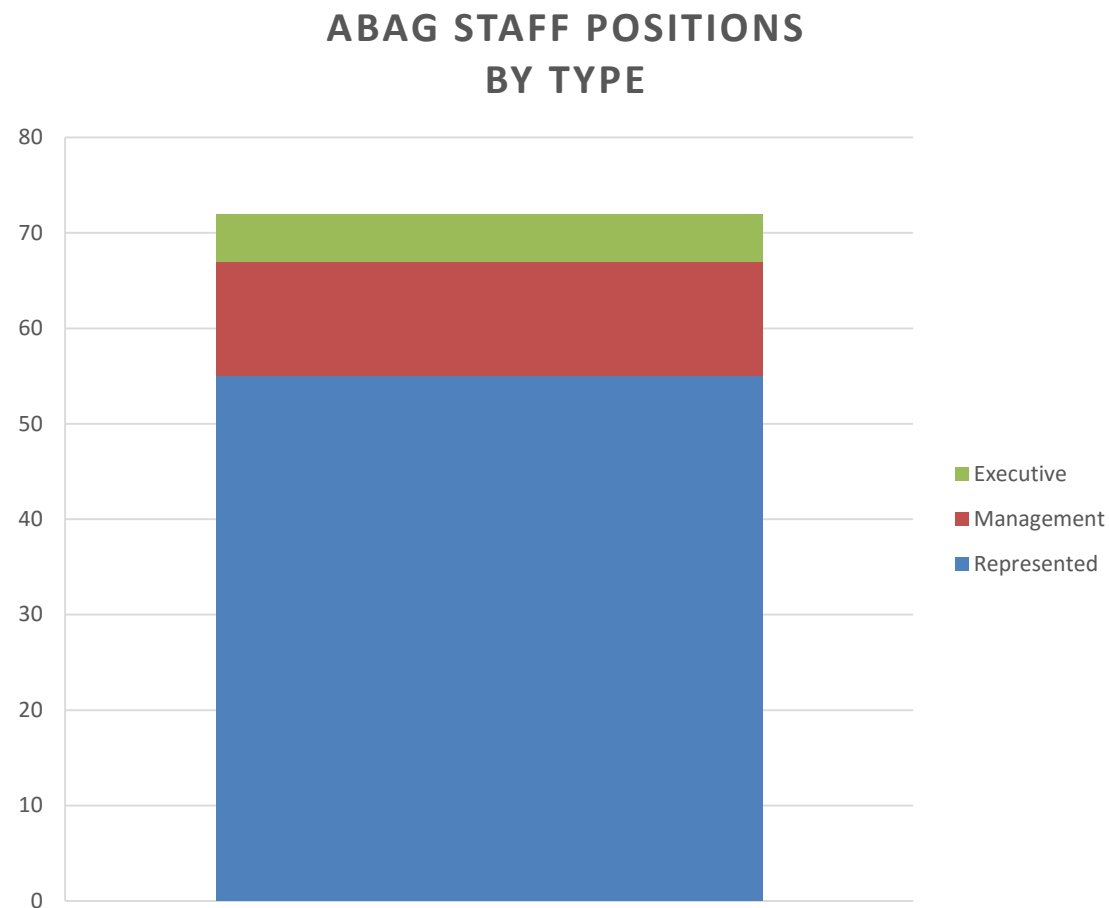


Grants | Overall Findings

- Under the current system, individual project managers oversee ongoing grants monitoring, invoicing, and lifecycle disbursement with **little oversight or direction from ABAG Management or Finance team**
- There is **no standardized data reporting or collection system** beyond the annual OWP budget reporting process.
 - PFM was able to confirm outstanding ABAG vs. pass-through balances only for SFEP grants. Such data is not readily available for other ABAG grants
 - PFM was not able to confirm whether grant revenues have been sufficient to cover the actual direct costs incurred in project implementation

Current ABAG Workforce Composition

- ABAG currently has 72 authorized employee positions
- A majority of these positions (55) are represented positions
- Twelve positions are program managers
- Five positions comprise the executive management team



Modeled Plan of Action

Employees

- All ABAG employees become MTC employees
 - Salary and benefits at MTC levels
 - Retiree Health care to all ABAG employees with years of service credit

Organizations

- ABAG remains separate agency and contracts with MTC for program services
- ABAG maintains assets and liabilities
- ABAG maintains OPEB trust for retiree health payments

Workforce Pay and Benefit Differences

Pay

- MTC has overall higher pay scales than ABAG
 - Differences vary by position
 - Recommended compensation is not a part of the financial due diligence analysis
- Increased pay directly impacts pension costs

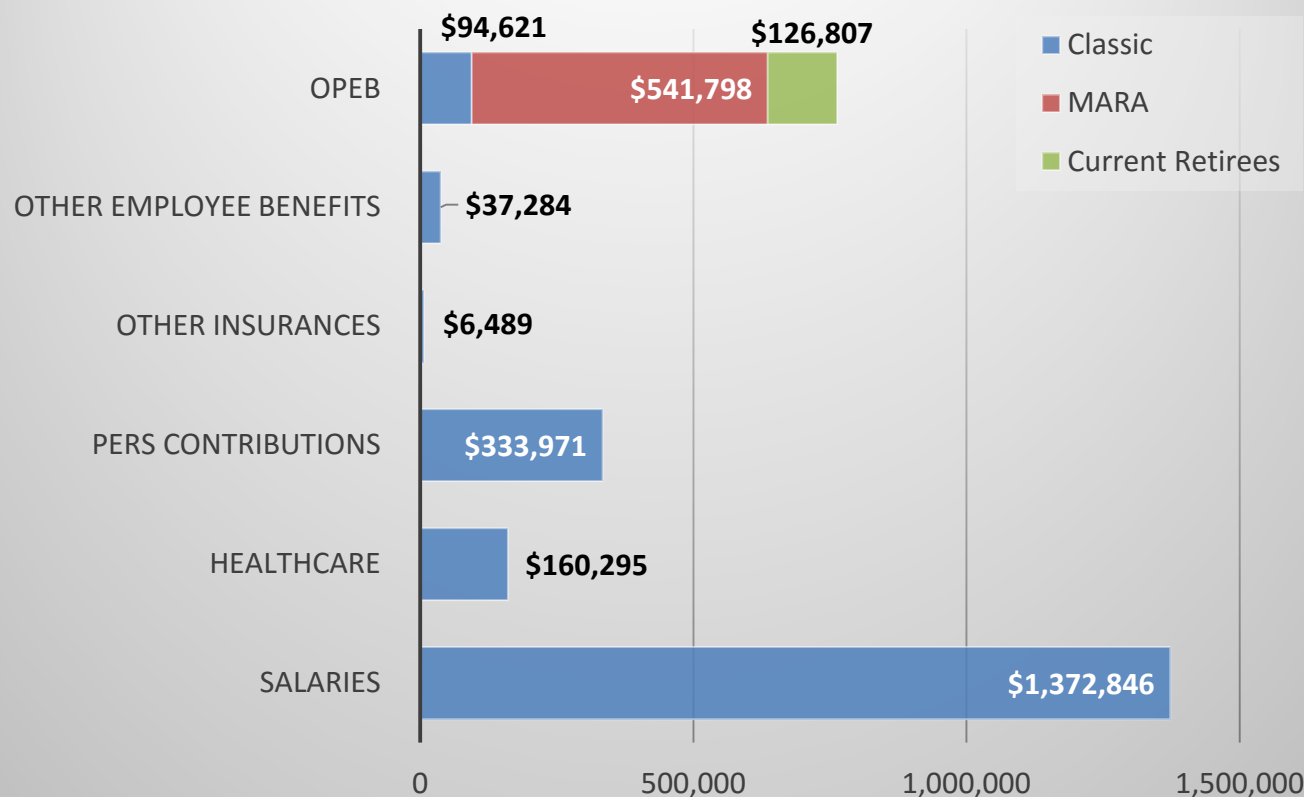
Benefits

- MTC does not pay into social security
- MTC has a 3% pension COLA, while ABAG's has a 2% COLA
- Similar insurance benefits in both agencies
- Retiree health much better overall at MTC—New for half of ABAG employees

Compensation Changes | Significant Increases for MTC

- Overall personnel expenses will **increase \$2.6M per year** with the move to MTC
- Salaries (*recommendations to come from Koff & Associates, MTC's HR consultant*), pension contributions, and OPEB are the primary cost drivers
- OPEB represents cost above what is already being funded by ABAG
- MTC pension costs for existing employees are also expected to rise 0.5% of salary with the addition of ABAG staff

Assumed First Year Change in
Personnel Costs for ABAG Employees



Baseline Budget Forecast | Revenue Assumptions

Grants

■ **MTC Funding**

- **FHA, FTA, and TDA** revenues escalate at 2.1% per year
- All **other MTC funding** sources (STA, bridge tolls, and contract revenues) are held flat

■ **Federal Grants**

- Homeland Security and miscellaneous grants held flat
- EPA held flat after reduction to expected ongoing grants
- East Bay Brownfield Assessment adjusted for actual revenues per Planning Director

■ **State Grants**

- DWR winds down through FY20, assumed wind down through FY23 at same rate of reduction
- PUC grant held flat—contract through FY25
- Delta Stewards Council held at FY17 levels
- Coastal Conservancy grant expires in FY18

Other Revenue

■ **Contracts** with outside agencies

- Grow with increases in personnel and operating costs—assume ABAG charges full cost recovery

■ **Service Programs**

- JPAs—assumes continued payment at FY17 levels for administrative services
- Conference Services grow with cost of conferences
- Other revenue either no growth or grow at CPI

■ **Membership Dues** increase at CPI

Baseline Budget Forecast | Expense Assumptions

Personnel Costs

- **Salaries** grow at 2.6% per year
- All **benefits** at MTC rates
 - Health care grows at 5% to 7% per year from the MTC OPEB valuation
 - Worker's comp/unemployment/Medicare grow with salary costs
 - No social security costs
- **Pension costs for ABAG employees**
 - Normal cost at 10.6%--accounts for higher pension COLA at MTC
 - Unfunded liability as shown in the ABAG valuation
- **Pension costs for current MTC employees**
 - Increase from 10.1% to 10.6% of salary due to lower average entry age for ABAG employees

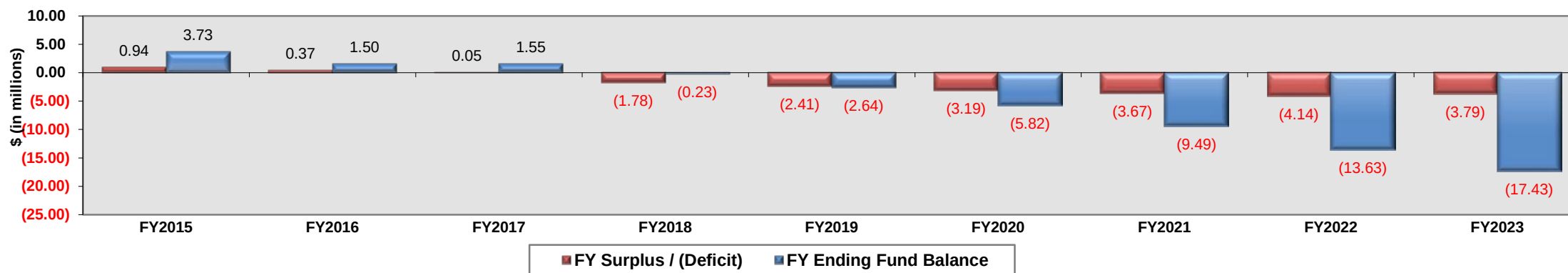
Non-Personnel

- **Technical Consultants** tied to revenue levels. Remain in budget model at FY17 funding ratio (e.g., 98% of grant used for "Technical Consultants")
- **Other Consultants** grow at CPI
- **Pass Through Expenses** are reduced as funding expires
- **Operating Costs**
 - Base costs grow at CPI
 - If grant source is reduced or eliminated, associated personnel costs remain in place
 - BayRen retrofits tied to PUC grant revenue

Budget Projections | Baseline Model Results

- The Baseline model assumes:
 - All ABAG staff positions transfer to MTC
 - All revenues and expenses for both MTC and ABAG are included in the budget forecast
 - Grant expenses track with revenues at same proportion as included in the FY17 budget
- The results of the Baseline model show that the consolidation could put significant financial pressure on MTC unless adjustments are initiated—projected cumulative **\$17.4 M deficit by FY23**
- Management Partners estimated 16.1% reduction in personnel and other costs is needed to balance the ABAG budget

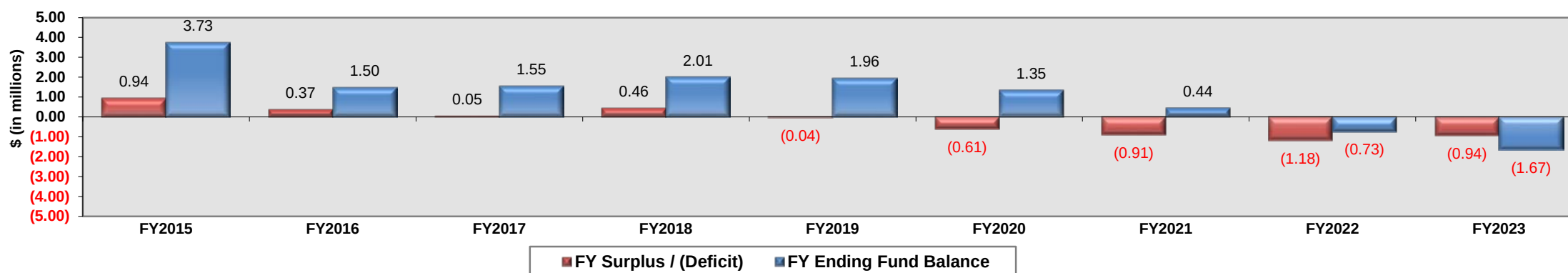
Baseline Forecast Model –Program Cost Moving ABAG Staff to MTC



Budget Forecast Scenario #1 | Alternative Model Results

- Scenario #1 includes:
 - Increase JPA reimbursements to match staffing cost increases
 - Reduce personnel costs (e.g. vacancies, attrition) and other operating expenses by 15% (as indicated in Management Partners financial analysis)--\$2.3M in FY18 growing to \$2.5M in FY23
- These changes improve net revenue, but do not remove budget deficit
- Deficit of less than \$1M—and cumulative fund balance deficit of \$1.7M—in FY23

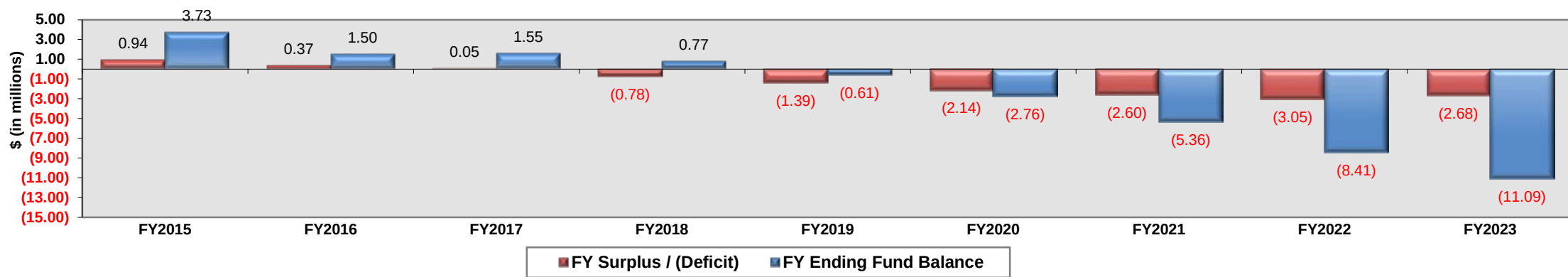
MTC/ABAG Consolidation [Scenario #1](#) Budget Forecast
Increase JPA Fees/Reduce Operating Expenses



Budget Forecast Scenario #2 | Alternative Model Results

- Scenario #2 includes:
 - Increase of revenue of approximately **\$1 million** (with annual inflation adjustment)
 - Revenue options: 1) Dues increase or formula adjustment; 2) Enterprise fee increases; 3) New product fees; 4) Other
- Revenue increase will not eliminate the projected deficit in net revenues for ABAG programs—projected to be \$2.7M in FY23
- By FY23, the fund balance is projected to have a deficit of \$11M

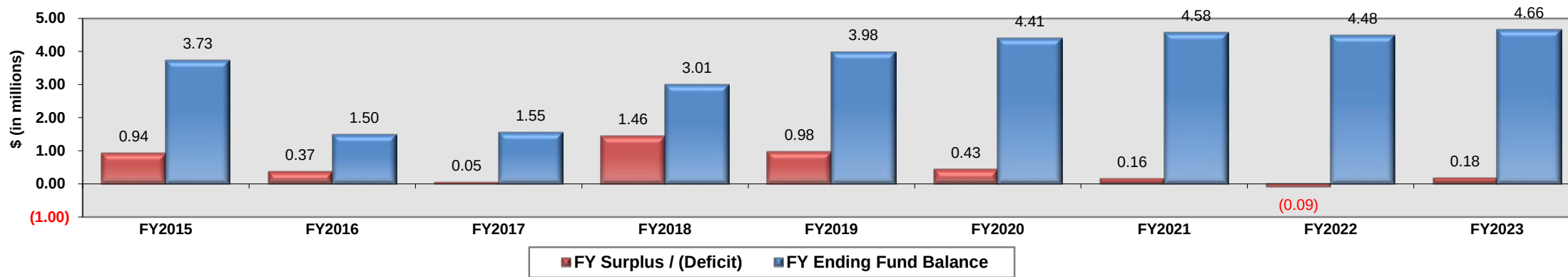
MTC/ABAG Consolidation [Scenario #2](#) Budget Forecast
Increase Revenues by approximately \$1 million



Budget Forecast Scenario #3 | Alternative Model Results

- Scenario #3 includes:
 - Revenue increase of approximately \$1 million (increases annually by inflation)
 - Reduce personnel (e.g. vacancies and attrition) and other costs by 15%
- The combination of these changes can eliminate the deficit in FY18 and preserve ABAG's fund balance in each projected year, with the exception of FY22—keeping the fund balance at over \$4.7M

MTC/ABAG Consolidation Scenario #3 Budget Forecast
 Increase Revenues by approximately \$1 million / Reduce Operating Expenses



Areas of Focus – Legal Due Diligence

1. ABAG Grant Funding
2. Compensation and Benefits/Employment
3. ABAG Enterprises

Key Takeaway – No legal impediment to staff consolidation

ABAG Enterprises

1. **PLAN – Pooled Liability Assurance Network**
Provides pooled liability and other insurance
2. **SHARP – Shared Agency Risk Pool**
Provides pooled workers' compensation insurance
3. **POWER – Publicly OWned Energy Resources**
Pooled natural gas purchasing
4. **BayREN – Bay Area Regional Network**
Partners with utilities to provide energy efficiency improvements
5. **FAN – Finance Authority for Nonprofit Corporations**
Issues bonds on behalf of members to finance public and private projects
6. **BayTrail – The San Francisco Bay Trail**
Maintains and oversees approx. 500 miles of interconnected public trails around the San Francisco Bay
7. **SFEP – San Francisco Estuary Project**
Advances wetlands restoration for federally-designated “nationally significant estuary” under National Estuary Program
8. **SFBRA – San Francisco Bay Restoration Authority**
Raises and allocates resources for the restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitat in the San Francisco Bay

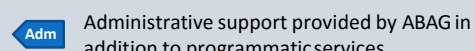
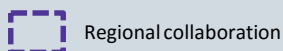
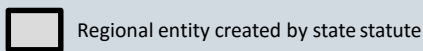
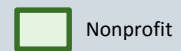
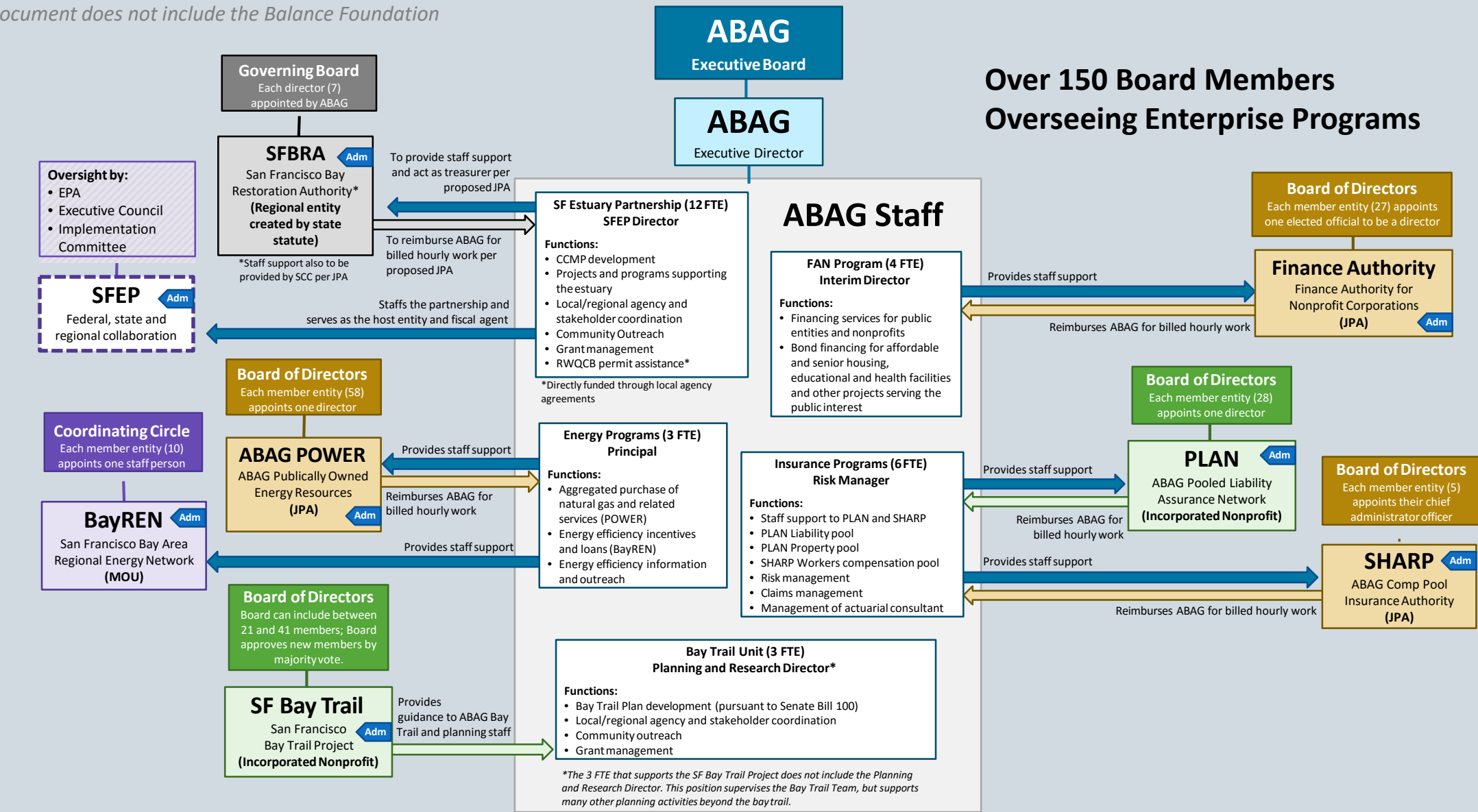
ABAG Enterprises – Governance

- Most but not all enterprises are separate legal entities
 - Three joint powers authorities (SHARP, POWER, FAN)
 - Two associations governed by MOU or other less formal structure (BayREN, SFEP)
 - Two corporations (PLAN*, Bay Trail)
 - One created by statute (SFBRA)
- As a legal matter, ABAG's role in governance is slightly different for each enterprise
- ABAG has historically taken a lead role in running the enterprises, in addition to providing most or all staffing support

*PLAN itself is not a separate legal entity, but ABAG and the other member insureds have appointed PLAN Corp to administer the program

ABAG Enterprise Programs Governance Structure Summary

Document does not include the Balance Foundation



ABAG Enterprises – Consolidation with MTC

- Expectation is that staff currently providing support for enterprises will continue to do so
- MTC and ABAG may provide in Services Contract that MTC directs and “stands in the shoes” of ABAG without changing current legal documents or governance structures
- Alternatively, governance for some or all of the enterprises may be changed
 - Could create a direct control/reporting relationship between the enterprises and MTC’s Board/senior staff, such that MTC would have, and be assured of maintaining, direct influence over the functioning of the enterprises
 - Could also clear up “dual capacity” appointments in which, at the moment, governing documents provide in many cases that ABAG senior staff (ED, Finance Director) automatically serve as senior staff to enterprises
 - Affords opportunity to clean up governance documents with benefit of years/decades of experience
 - Requires cooperation of members to convene meetings and amend governance documents
 - Because SFBRA is statutorily created, governance change would require action by State Legislature

Employee Relations Group

Comprised of MTC/ABAG Exec Management, HR teams, and representatives of ABAG SEIU and MTC CSR

■ **Four meetings to date:**

- 7/8 — Kick-off with Chair Cortese and President Pierce
- 8/8 — Classification and Compensation Study Scope Review
- 9/27 — Koff & Associates Phase 1 Findings
- 10/27 — Due Diligence Update

CalPERS Determination

- Confirm no negative or unforeseen effects of MTC/ABAG staff consolidation on ABAG pension liabilities
- Will submit draft contract for services to obtain CalPERS determination
- May introduce schedule risk but determination is important before approval of the contract for services

Human Resource Due Diligence

- Koff & Associates preparing a comparative analysis of MTC and ABAG classifications and benefits.
- Purpose - to assess the similarities and differences in the duties and responsibilities as well as knowledge, skills, and abilities, and competencies between the classifications of each agency for position leveling

Human Resource Due Diligence Status

■ **September/October:**

- Initial Meetings with Employee Relations Group, HR & Project Team
- Orientation Meetings with Employees
- Position Description Questionnaire Completion & Review

■ **October - December**

- Employee & Supervisor Interviews
- Draft Class Concepts
- ERG, HR, Management Review

■ **Early January: Final Report and Recommendations**

Contract for Service – General Terms

- Provision to ensure ABAG's statutory responsibilities and mission as COG are preserved and ABAG Enterprises' goals and mission honored; both served by consolidated staff
- Termination for cause only
- Assignment of risk and joint umbrella insurance policy
- Establish annual budget process and tie compensation to budgeting
- ABAG and local entities to make best efforts on identifying and securing needed revenues annually
- CalPERS pension liability remains with ABAG with budgetary priority placed on meeting annual financial obligation
- Assignment of financial and treasury functions to MTC
- Overhead rate at MTC indirect rate unless contractual or regulatory restrictions

Contract for Service – Staff and Oversight Terms

- Establish role and oversight of MTC Executive Director
- Quarterly progress reports on delivery of services to ABAG
- Employee transition including organization chart, benefit provisions, and one-year standstill provision for employees without prior notice to ABAG policy board
- Legal support provided by MTC legal department; however, process to ensure outside legal counsel for ABAG should a conflict of interest arise
- Staff consolidation phasing plan
- Location of SFEP employees to transition to 375 Beale Street

Contract for Service – Enterprise Terms

- Best effort provision to modify Enterprise agreements such that MTC staff serve as hosted entity officers similar to current ABAG structure
- Seek to put FAN in runout mode and work to create a successor conduit financing authority
- Governance study of ABAG Enterprise units with goal to increase efficiency and accountability; ABAG and Enterprise boards retain sole discretion to act on findings

Memorandum of Understanding (MOU)

- MOU to address how and when to determine the answer to the open question of future governance structure of the two agencies
- MTC Chair and ABAG President are recommending **January 1, 2020** as the date by which each board agenda consideration of future governance structures

Next Steps / Timeline

■ November/December

- Continue Due Diligence
- Continue Development of Contract for Services
- Extend ABAG Funding Agreement through March 2017

■ January

- Draft Contract for Services and MOU available for review

■ February

- MTC/ABAG Executive Board consider approval of the Contract for Service and MOU

■ March

- ABAG Employee Transition to MTC by April 1st



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 4
Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105
TEL 415.778.6700
WEB www.mtc.ca.gov

Memorandum

TO: Commission

DATE: December 8, 2016

FR: Executive Director

W.I. 1611

RE: Regional Housing Policy

Background

The Bay Area's current housing and transportation crisis reflect the cumulative impacts of both its robust job market and its abject failure to keep pace with housing need, especially near growing job centers. Since 2010, the Bay Area has added almost 500,000 jobs but only 50,000 new housing units, creating the most expensive housing market in the country. Looking ahead, there is more commercial zoning capacity in the Bay Area than for housing, so the prospect that the housing crisis will worsen is real given current state tax policy and difficult approval processes.

Cuts of over 50% to federal affordable housing programs since 2000, a lack of state funding, and the loss of redevelopment have restricted the ability of public agencies to meet the growing needs of low- and moderate-income households given median wage deflation from 2000-2013. The lack of housing near job centers and transit combined with rapid job growth led to record levels of freeway congestion in 2015 and crowding on transit systems like BART and Muni as impacts of the housing crisis have cascaded into the transportation network. See Attachment A for more background information from the April 2016 Commission Workshop.

Integrating Housing into Transportation

Over the past ten years, MTC has invested in select efforts that advance zoning for and producing housing in the region, including:

- Planning grants to local jurisdictions through the PDA Planning Program (\$24 million);
- Investment in the Transit Oriented Affordable Housing revolving loan fund (\$20 million);
- Conditioned regional One Bay Area Grant (OBAG) funds on local planning and production of housing and adoption of local supportive housing policies (\$710 million);
- Conditioned transit expansion policy on minimum zoning via TOD Policy (\$2 billion);
- Created new OBAG2 initiatives - the Naturally Occurring Affordable Housing (\$10 million) and 80K by 2020 programs (\$30 million);

- Hosted *Calling the Bay Area Home*, the MTC/ABAG-sponsored forum in February to discuss housing affordability and displacement concerns and solutions.

In addition, MTC and ABAG created the Priority Development and Conservation Area program almost a decade ago to steer resources towards transit-served communities planning for increased housing. These regional efforts have been significant in advancing local and regional dialogue about development and creating zoning capacity and real tools that contribute to the production of housing and jobs. However, given the magnitude of the Bay Area's current housing crisis, additional strategies and solutions are needed that go beyond the type and scale of MTC's current activities.

The consolidation of all of the regional planning staff from MTC and ABAG into a new Integrated Regional Planning Program provides an opportunity to maximize the impact of regional action moving forward (see Commission Workshop agenda item 2). With one integrated staff focusing on both transportation *and* housing issues, the MTC and ABAG boards can align and integrate long-range planning and near-term initiatives. This will be possible to advance with a combined staff plan that addresses both subjects with a single line of reporting and more concerted effort.

Role of Transportation Funding

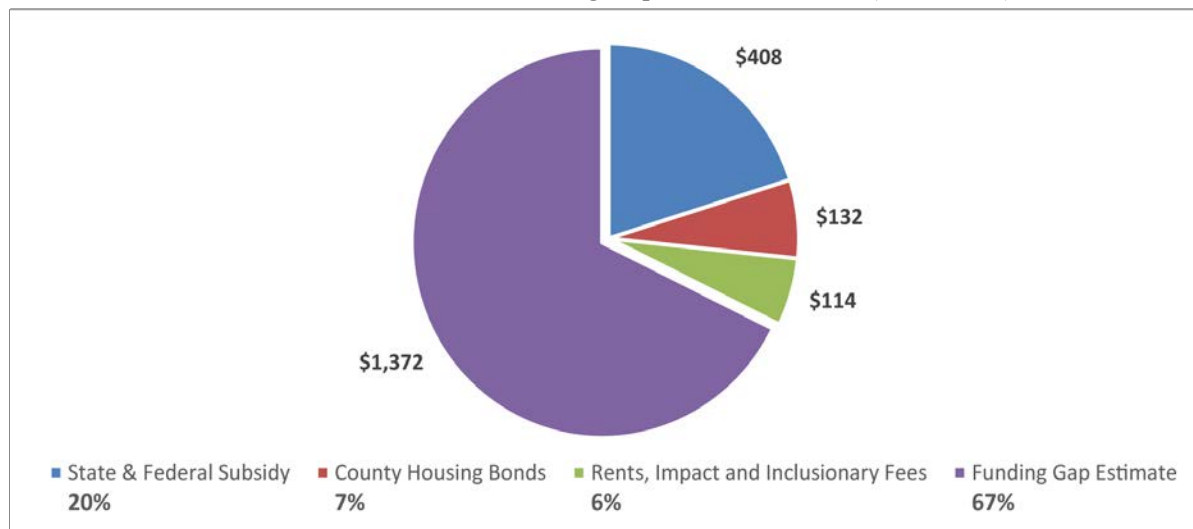
Attachment B includes several charts that illustrate the role transportation funding has played or could play in incentivizing or directly investing in housing production. These select program efforts seek both to influence and respond to local land-use decisions in the near and long term, primarily by leveraging funding as outlined above via the OBAG program and TOD policy.

- ***Direct Investment:*** Chart 1 shows the minimal amount of annual funding MTC is spending directly on housing and PCA initiatives, approximately \$3 million out of MTC/BATA's annual \$1.9 billion budgeting, or 0.002%. Chart 2 tells a similar story. It illustrates that only 3% of OBAG2 funding, or \$28 million, is allocated to programs that either influence land use through direct investment in plans and zoning (PDA Planning Program) or preserve it through the new OBAG2 Naturally Occurring Affordable Housing (NOAH) pilot program, which leverages MTC's investment at 5:1.
- ***Leveraging/Incentivizing:*** The role of MTC transportation dollars in leveraging and incentivizing housing policy is much larger. Chart 3 shows that some 45% of OBAG2 funding, or \$416 million (\$83 million annually), serves to incentive housing production through a county formula distribution based on Regional Housing Need Allocation (RHNA) commitment and actual housing production, as well as the 80K by 2020 initiative which rewards jurisdictions that build housing with additional transportation funding. Chart 4 outlines the amount of state and federal funding available to cities, in addition to direct funding from local sources such as sales taxes and parcel taxes, for transportation. The OBAG program is funded by the blue bar at the right of the chart. The other fund sources depicted in Chart 4 currently have no ties to housing or land use policy but could provide an opportunity to make that connection in the future. Regional Measure 3 could provide another opportunity for leveraging better Bay Area housing outcomes.
- ***Self Help Approach:*** While the Bay Area has self-funded transportation in light of state and federal inaction at almost \$1 billion annually, housing in the Bay Area lacks a dependable

regional or local funding program to support it today. The annual funding gap needed to build an adequate supply of low and moderate income housing, over 13,000 homes per year in the current RHNA cycle, is estimated at \$1.4 billion annually, as shown in Figure 1 on the following page. Given the steep decline in federal housing programs, most remaining federal funding is used for rehabilitation and does not increase supply. The Affordable Housing and Sustainable Communities (AHSC) program funded through the State’s Cap and Trade program to date has funded about 10 projects a year in the Bay Area at approximately \$80 million per year. Recently approved bonds in San Francisco, Santa Clara, and Alameda counties at roughly \$130 million annually, also shown in Figure 1, alongside San Mateo’s approved general sales tax, will leverage scarce dollars and infuse the housing system with additional capital.

However, the remaining funding shortfall for affordable housing construction is vast, while the incentives to build housing are limited. Staff believes that the region needs to raise more of its own revenue to address the housing and affordability crisis given the lack of state and federal leadership similar to the “self-help” approach for transportation projects pioneered by Santa Clara County in 1984. Such a regional initiative would complement the bold county housing bond efforts passed in the last two elections, and could provide long-term certainty related to the region’s housing needs. Self-help for housing mechanisms could include a multi-county fee or bond measure and would require state legislative authorization.

Figure 1
Annual Low & Moderate Housing Gap: 2014-22 RHNA (in millions)



Housing Committee Proposal

In light of the region’s housing challenge, staff proposes establishing a regional blue ribbon housing committee composed of multi-sector partners who are committed to identifying and implementing *game-changing regional solutions* to address the Bay Area’s chronic housing affordability challenges. The housing committee’s primary focus would be to develop a *Regional Housing Implementation Strategy* that would represent a regional consensus on a full

range of legislative, regulatory, financial and market-related measures necessary to provide for the region's true housing need at all income levels. That's obviously a pretty tall order.

We further propose to name this ambitious effort the Committee for Affordable and Sustainable Accommodation (CASA). The CASA initiative – similar to a recent consensus-building process in Seattle – would seek to bring together diverse interests to explore regional initiatives that can be implemented for the Bay Area, recognizing that leadership from the state and federal government is unlikely to save the day.

Fred Blackwell, Chief Executive Officer of the San Francisco Foundation, and Leslye Corsiglia, Executive Director of SV@Home, have agreed to serve as co-chairs of the committee should the Commission agree to pursue this course of action. Appointments to CASA would be made by the MTC Chair and ABAG President, and would include local jurisdictions as well as non-governmental organizations representing the “three Es” – economy, equity and the environment.

With the recent approval of the Plan Bay Area 2040 “preferred scenario” and commitment to establish a corresponding action plan by the Commission and the ABAG Executive Board, the CASA initiative offers an initial opportunity to identify near and medium-term actions for the region to make meaningful progress on the Plan's housing goals.

The committee would be supported by the integrated regional planning staff, as well as a consultant team, who would provide the data and analysis necessary to assist the committee in preparing a consensus *Regional Housing Implementation Strategy*. This project would be the first major task for the merged planning groups – working together to jointly address the housing crisis that has been long brewing.

Staff anticipates launching the CASA committee in early 2017, with its work continuing for about one year. We look forward to a robust dialogue about this critical and vexing policy challenge at our workshop next week.



Steve Heminger

Attachment A: Key Challenges for Bay Area's Housing

Attachment B: Funding for Housing and Transportation

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Attachment A: Key Challenges for Bay Area's Housing

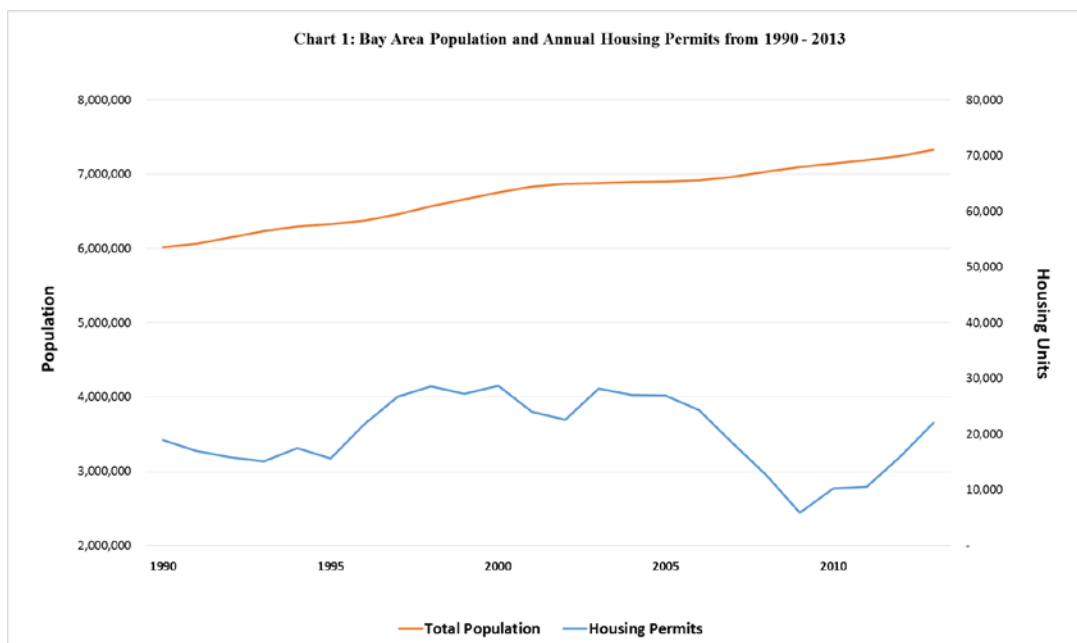
Overview

The Bay Area's housing affordability and neighborhood stability crisis has been decades in the making. It is the cumulative outcome of numerous local, regional, state and federal legislative and regulatory actions (or inactions) over the last 40 years, arguably all the way back to the mid-1970s, when the rate of housing construction in the Bay Area first started to lag behind the rest of the country¹.

Since there are multiple perspectives among various stakeholders on the root causes of and solutions to the current housing crisis, staff has developed this white paper in an attempt to capture these various perspectives on key challenges for review and consideration by the MTC Commission as it develops proposals for regional action. While this paper presents the key findings from staff research, it does not represent a comprehensive account of all the housing issues in the region.

Key Housing Challenges

- Housing production in the Bay Area has lagged growth in jobs and residents for decades** – The region has consistently failed to build an adequate number of housing units to accommodate the growing number of jobs and residents in the region. For example, *since 2010, the region has added only 1 new unit for every 5 new jobs*. Chart 1 compares the 25-year population and annual housing permits, noting the region adding population every year during that period. Lack of adequate supply to meet our growing population is a major contributor to high housing costs in the region.



¹ See CA Legislative Analyst's Office Report, 2016, at <http://www.lao.ca.gov/Publications/Report/3345>

While the cost of housing has increased significantly for both owner and renter households, the level of support and protections for homeowners is far higher than for renters², leading to a higher risk of displacement for renters during periods of growth and expansion. If housing production consistently lags demand, a housing crisis, especially for renters during a jobs boom, is unavoidable.

“Our goal is not to stop all development. Our goal is to stop incredibly large development that focus exclusively on market-rate housing.”

– *Edwin Lindo, Vice President for External Affairs for the San Francisco Latino Democratic Club, in an interview with the San Francisco Business Times referring to a proposed moratorium on building new housing in the Mission District (July 2015)*

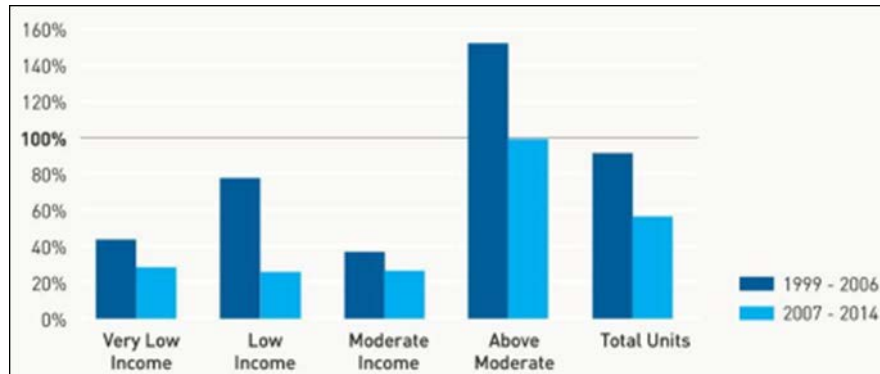
Typically, *as market-rate rental housing ages, it becomes more affordable* to a wider range of households. For example, market-rate rental housing built in the high-cost cities of Los Angeles and San Francisco between 1980 and 1985 were high in 1985 (rents were well- over median), but the same units were more affordable (rents were close to median of all rental units) in 2011, a 1% increase in affordability year-over-year. This points to a need to keep a steady supply of multi-family housing construction, which has been limited until recent years.

- 2. Affordable housing production in the Bay Area has lagged even further behind market-rate units** – Since 1999, the region has built less than a third of the units needed to meet the needs of vulnerable populations such as low- and moderate-income households, seniors and the homeless. *The private market hasn’t been able to provide housing for even middle-income households*, especially since the cost of land and construction in the Bay Area has increased faster than the rate of inflation.

As illustrated in Chart 2, the Bay Area has struggled to meet all of its Regional Housing Needs Targets, issuing permits for about 35% of the needed low and moderate income housing. This left over 100,000 affordable units unbuilt from 1999-2014. The region exceeded its above moderate (market rate) housing targets over the same period, but too often those homes were far from established job centers. Looking forward, the strong housing market and fewer affordable housing resources are likely to result in similar results going forward.

² Homeowners benefit from Proposition 13, which limits increases to their property taxes, and from federal tax policies, which allow tax deductions on mortgage interest.

**Chart 2: Share of Regional Housing Needs Allocation Permitted 1999-2014
San Francisco Bay Area (Source: ABAG)**



In fact, housing production for moderate income households (the region's middle class) has been lower than any other income category since the 1990s³. The market provides a diminishing number of homes for non-affluent buyers and subsidies for moderate income households are largely nonexistent.

3. **Even the housing that is built is not “location-efficient”** – Much of the recent housing production has occurred in East Bay jurisdictions while much of the job growth in high-growth industries is concentrated in the West Bay. This has led to longer commutes, more congestion on highways and local streets, higher environmental and health impacts, and higher transportation costs for all workers. These outcomes not only affect Bay Area residents' quality of life, but also limit the economic growth potential of the region's employers.

The lack of affordable housing close to low- and moderate-wage jobs, which are often co-located with the high-wage jobs, creates an even bigger imbalance for low- and moderate-income households. These households are unable to compete with higher-wage workers for the limited number of market-rate housing units in neighborhoods near jobs and transit. This jobs-housing mismatch has resulted in higher displacement risk, longer commutes and higher transportation costs for lower-wage workers⁴.

4. **Instead of facilitating planned development, strong local and state regulations often prevent all development** – Many local jurisdictions have laws that require developers to secure conditional use permits for housing developments that are consistent with adopted zoning codes and general plans furtherer delaying and restricting new housing construction.

"It is long past time that we as an agency recognize the need. Will it drive some developers away? Probably. Those left standing will understand the requirements."

– BART Director Joel Keller, City of Antioch, speaking after the agency adopted a policy that requires developers to provide 20% affordable housing units in projects built on BART station property (February 2016)

³ See Regional housing Needs Allocation Report for 1999-2014, ABAG

⁴ See: <http://interact.regionalchange.ucdavis.edu/roi/>

These requirements – essentially prohibiting “by-right” development, even affordable housing development – are largely non-existent in most other metropolitan regions (New York, Washington DC and Seattle, among others).

Similarly, *state environmental protection laws inadvertently restrict higher-density, mixed-use, infill development*, leading to cost escalation due to delays and litigation. While SB226 and SB743 have attempted to address the issue, the impact of such laws relative to enabling infill development has been modest.

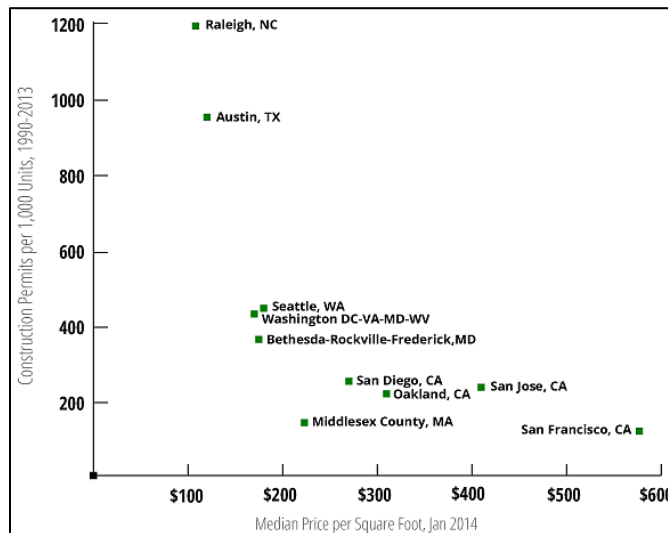
A report released by the law firm Holland & Knight in August 2015 found that projects designed to advance California’s environmental policy objectives are the most frequent targets of CEQA lawsuits: transit is the most frequently challenged type of infrastructure project (more than both highways and local roadways); renewable energy is the most frequently challenged type of industrial/utility project; and housing (especially transit-oriented housing) is the most frequently challenged type of private-sector project. *Almost 80 percent of all CEQA challenges were filed against infill development.* These outcomes can only be described as utterly perverse.

“An adequate supply of housing cannot be built in a day, but will be built faster if we work together and avoid the false and polarizing choice of affordable versus market-rate. We need both, and building new market-rate housing takes pressure off existing supply that serves residents from a wide range of incomes.”

– Dr. Micah Weinberg, President of the Bay Area Council Economic Institute and a renter in Oakland, in a guest commentary – *Oakland housing crisis is a deep hole, but it must start digging* – in *Inside Bay Area* (March 24 2016)

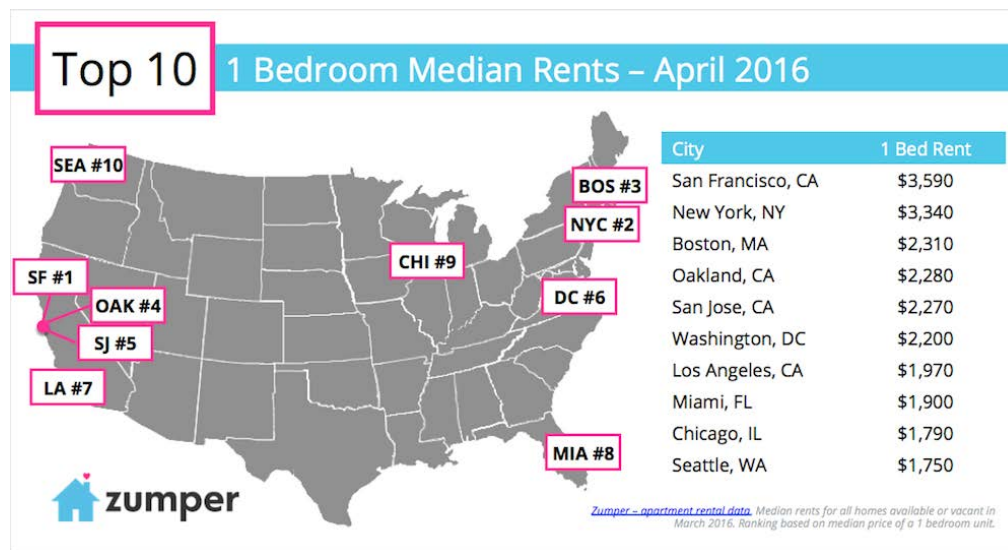
Chart 3 below compares housing cost per square foot in 2013 with housing permits per 1,000 homes in 1990. During that span, Seattle, WA issued construction permits at a rate of a little over 400 new permits for every 1,000 units that existed in 1990. During the same time, San Francisco, CA permitted just 117 units for every 1,000 units that existed in 1990. *In 2014, home prices in Seattle, WA were a little under \$200 per square foot, compared to almost \$600 per square foot in San Francisco.*

Chart 3: Home Prices and New Construction in Tech Hubs 1990-2013 (Source: Trulia)



The cost of housing is not limited to home purchases. As seen in Chart 4, the Bay Area is now home for four of the five most expensive rental markets in the nation.

Chart 4: Cities with the Highest Rents, 2016 (Source: Zumper Real Estate)



- Low- and moderate-income renters face high displacement risk in almost every city –**
As housing costs rise, lower-income renters are often forced to move to neighborhoods farther away from jobs, transit and amenities. The lack of adequate tenant protections, or

"It made my heart sink and my stomach feel bad. We are not against affordable housing. We just want to see it done in a sensible, responsible, good way."

– Marin resident and President of the Lucas Valley Homeowners Association, Maggie McCann, referring to filmmaker George Lucas' proposal to use \$100 million of his own money to finance 224 low-income apartments on a piece of land he owns called Grady

availability of subsidized or “naturally affordable” market-rate units in the most “desirable” neighborhoods, has accelerated displacement of lower-income residents and businesses from the urban core.

Without their strong rent stabilization and just cause provisions in place, cities such as San Francisco, East Palo Alto and Oakland would have been expected to lose even more lower-income renters. Despite the benefit of tenant protections many lower-income renters have relocated to more affordable neighborhoods in the suburbs, unintentionally displacing existing residents in these communities to locations farther from the region’s core and related employment centers. This domino effect is one reason why *even the most affordable cities in east Contra Costa and Solano County are experiencing displacement*. Communities that add jobs but not sufficient housing pose the highest risk of displacement to lower-income renters. Communities that have historically underbuilt market-rate and affordable housing have lost the largest percentage of lower-income renters since 2000⁵. These

6. **Elimination of Redevelopment Authorities has further restricted infill development and affordable housing production** – The dissolution of redevelopment agencies by the state has eliminated a large source of funding for infill and affordable housing projects, and restricted the ability of local jurisdictions to secure and assemble parcels, fund infrastructure improvements that support market rate and affordable housing development. *Redevelopment authorities in Alameda County contributed more than \$500 million for affordable housing between 2001 and 2011*⁶.

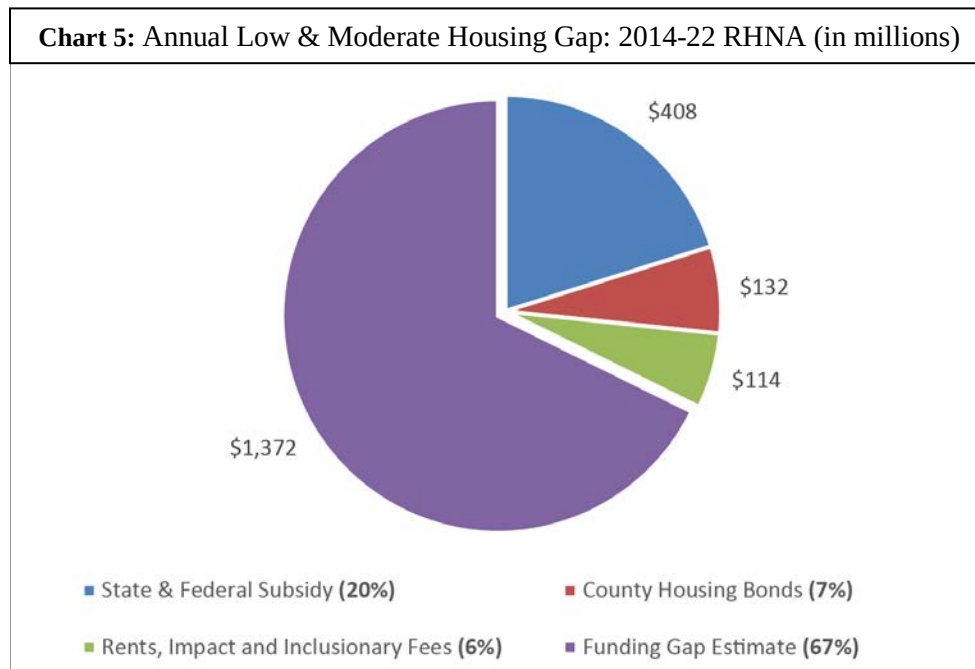
“The scale of the affordable housing crisis and the need for funding to address it over the next five years is much greater than \$250 million — more like twice that amount (in San Francisco). We appreciate the mayor’s commitment to a bond measure, and we urge him to push as far as possible.”

– Peter Cohen, Director of Council of Community Housing Organizations, referring to Mayor Ed Lee’s proposal for a bond issue to fund affordable housing in San Francisco (February 2016)

7. **Declining state and federal resources have constrained the ability of public agencies to respond** As state and federal funding for housing programs has declined or run out, the number of low- and moderate-income households that are rent burdened has increased significantly. Chart 5 shows the current annual funding gap to construct the low and moderate income units allocated to the Bay Area for the 2015- 2022 regional housing needs cycle. The lack of resources, in light of the dissolution of local redevelopment functions and the end of the Proposition 1C funding, creates a tremendous challenge to the region as it seeks to catch up with its past low and moderate income housing construction shortfall.

⁵ See: http://planbayarea.org/pdf/prosperity/research/REWS_Final_Report.pdf

⁶ See: <https://www.acgov.org/cda/hcd/documents/Lost-Redevelopment-funds-impact-Affordable-Housing.pdf>



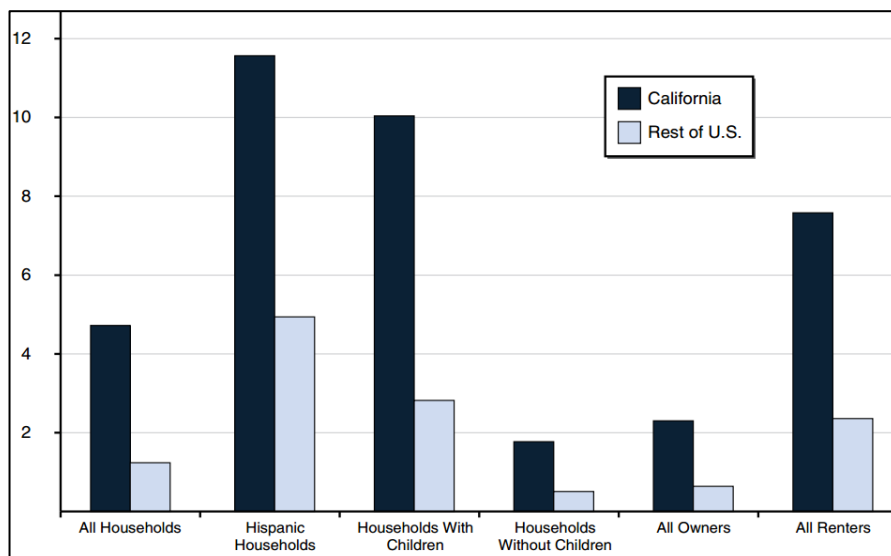
8. Availability of developable land is limited due to geography and strong land protections

– The Bay Area has done an excellent job of protecting large tracts of wetlands, agricultural land and open space compared to most other metropolitan areas. This effort has limited sprawl on “greenfields”, expanded recreational opportunities and preserved scenic and natural resources. However, the resulting constrained supply of developable land coupled with significant and multiple challenges to infill development has severely restricted housing production across the region.

As mentioned before, the lack of housing production, in the long term, creates conditions for significantly higher housing costs in later years. This dynamic has also led to the long-term trend of Bay Area workers commuting from nearby regions with comparably affordable housing. These long distance commutes to homes, often developed on former farmland, leads to higher per capita greenhouse gas (GHG) emissions and traffic congestion at the region’s gateways.

9. Wages of low- and moderate-income households have lagged behind rising housing costs – Even as housing costs rise and funding for housing programs decline, wages of low- and moderate-income households have not kept pace with the rate of inflation. Real wages for many renters have actually declined in terms of purchasing power, with 2013 median household income still below 2000 median household income though it is on the rise. Chart 6 shows a critical way wage and housing pressures manifests itself, with high crowding throughout the state at a rate nearly four-times the national average. California now has the highest share of overcrowded renters in the nation. *Nearly 30 percent of the country’s households living in overcrowded conditions are in California (CHPC, 2014).*

Chart 6: Crowding Rates in California and the US, 2013 (Source: LAO Report, 2016)



10. **Proposition 13 has resulted in fiscalization of development decisions** – State law caps property tax increases for owners of residential and commercial property. While Prop 13 benefits long-term homeowners, it reduces the fiscal benefits of housing when compared to retail or commercial development, leading many jurisdictions to view housing as a “net loss”. *Homeowners also lack the motivation to allow new residential development in their neighborhoods*, since lower supply provides significant financial benefits in terms of higher housing values and increased equity.

On the other hand, Owners of commercial property lack the motivation to develop vacant parcels since the “cost” of holding these properties is relatively low, and a potential windfall from rising land values over time relatively high. Consequently, even in “hot” real estate markets, many parcels remain vacant and underutilized. Proposition 13 is another key aspect of the perfect storm of heavy regulation, limited subsidies and disincentives that together make the Bay Area unaffordable for many families in 2016. Peer metropolitan regions in other states do not have a comparable statute that provides extreme advantages for long-term homeowners and puts entry level households at a distinct disadvantage.

11. **A relatively large number of currently deed-restricted affordable housing units are at risk of conversion to market-rate units** – A recent report⁷ published by the California Housing Partnership Corporation (CHPC) identified around 6,000 units in the region that are at risk of conversion. A large share of these units are located close to transit. All of these units currently house low-income renters. Preserving these units as permanently affordable housing is significantly cheaper than building new affordable units. Unfortunately, most cities in the region do not have a plan to systematically identify at-risk affordable units and

⁷ See: <http://chpc.net/services/preservation-of-at-risk-housing/>. See also: http://planbayarea.org/pdf/prosperity/Reconnecting_America_Preserving_Affordable_Housing_Near_Transit.pdf

prevent these units from being converted to market-rate units. State law also does not allow local jurisdictions to take full RHNA credits for preserved units.

Conclusion

Staff's analysis of the Bay Area' multi-decade housing affordability shortfall has made it clear that, like most chronic problems, the region's shortage of housing cannot be solved with a single solution. Effectively moving the needle on housing affordability in a manner that expands housing choices, reduces displacement pressures on our most vulnerable citizens and strengthens the connection between transit, jobs and housing requires a multi-pronged strategy. The region must pursue a multi-pronged strategy that emphasizes the construction of new homes for all incomes, the protection of the region's most vulnerable households, and the need to advocate for the ability to pursue local and regional solutions.

Attachment B: Funding for Housing and Transportation (MTC, State and Federal)

Chart 1

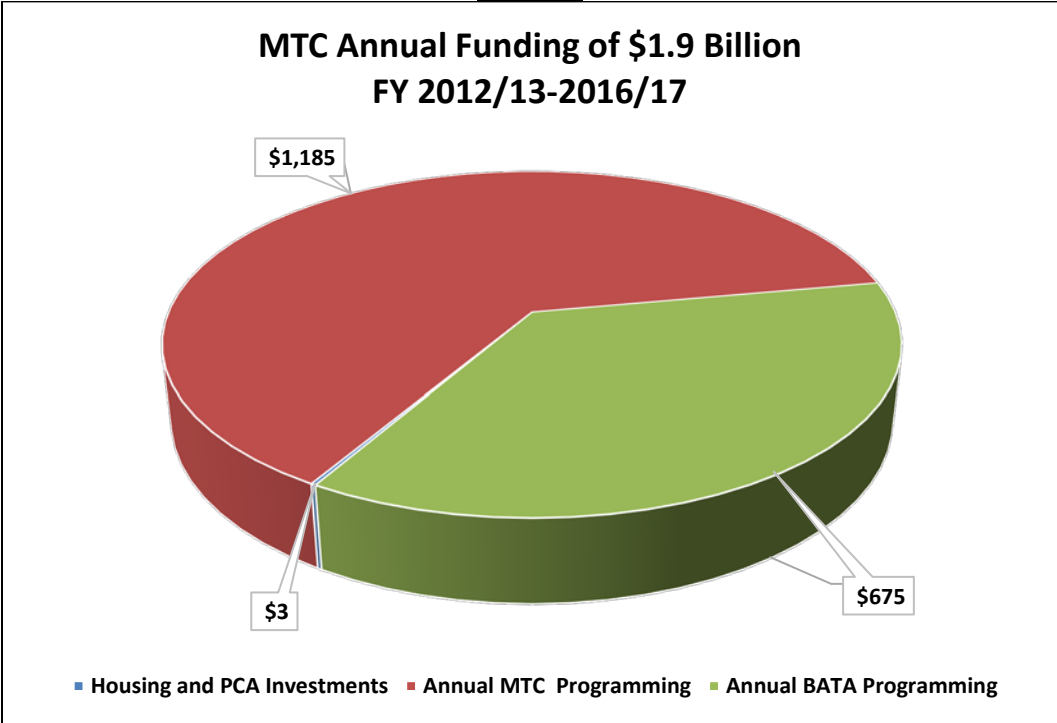


Chart 2

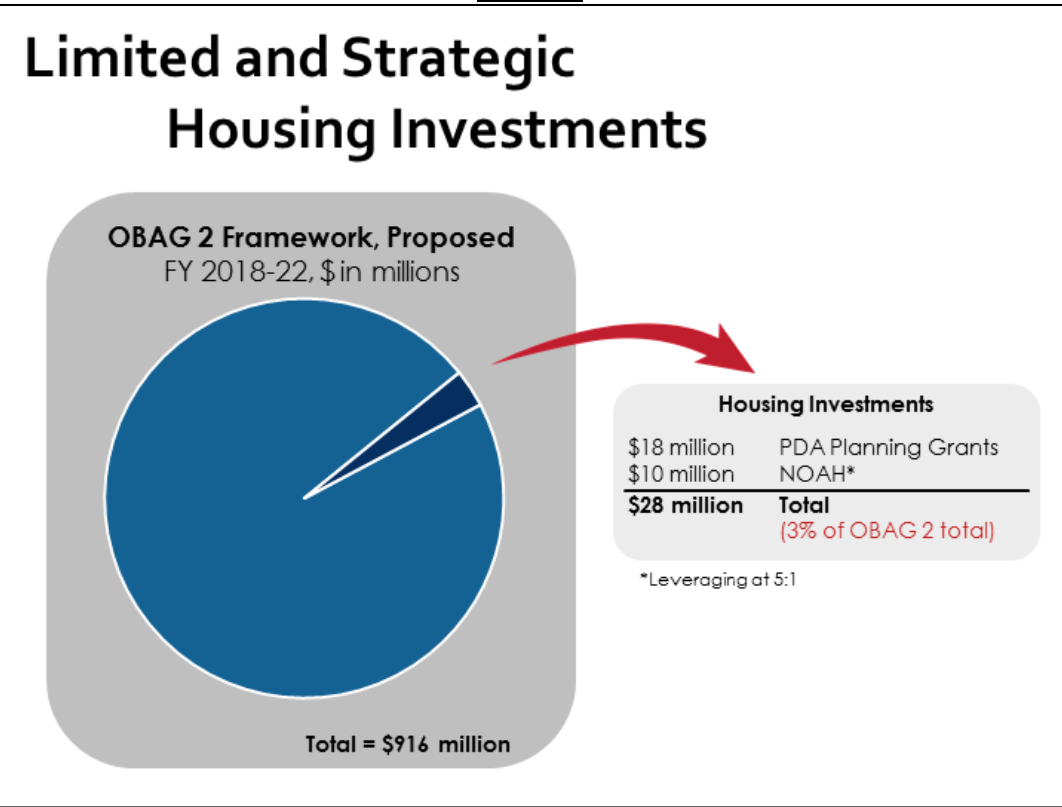


Chart 3

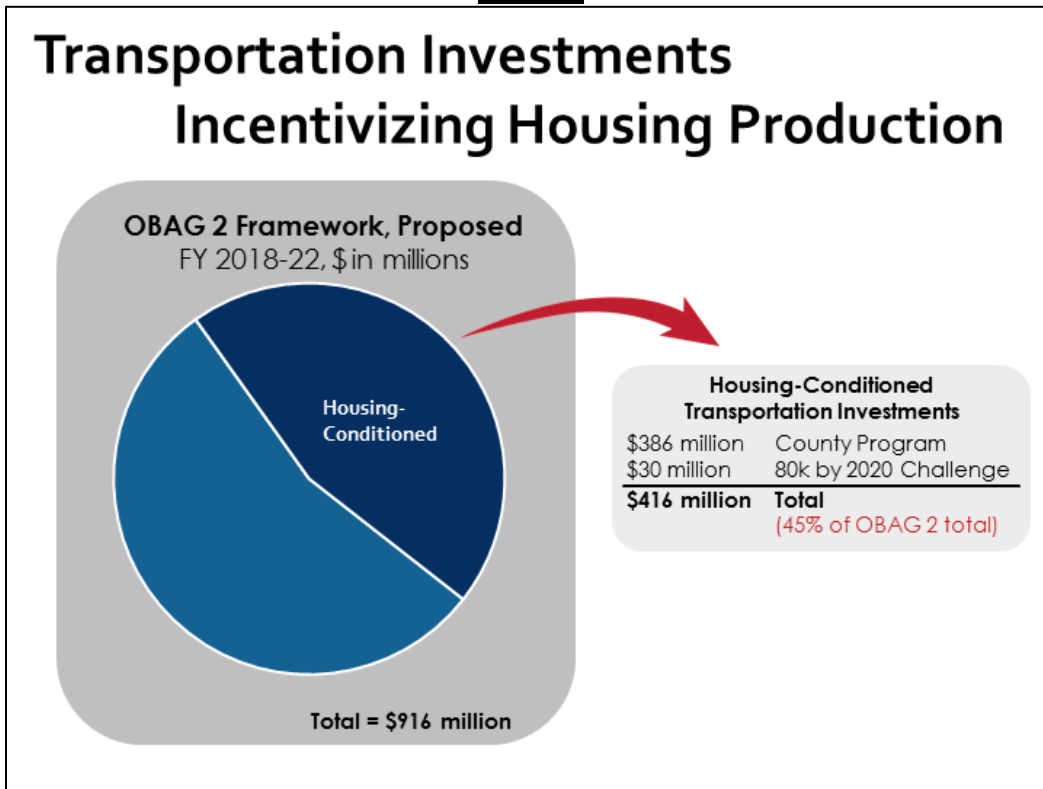
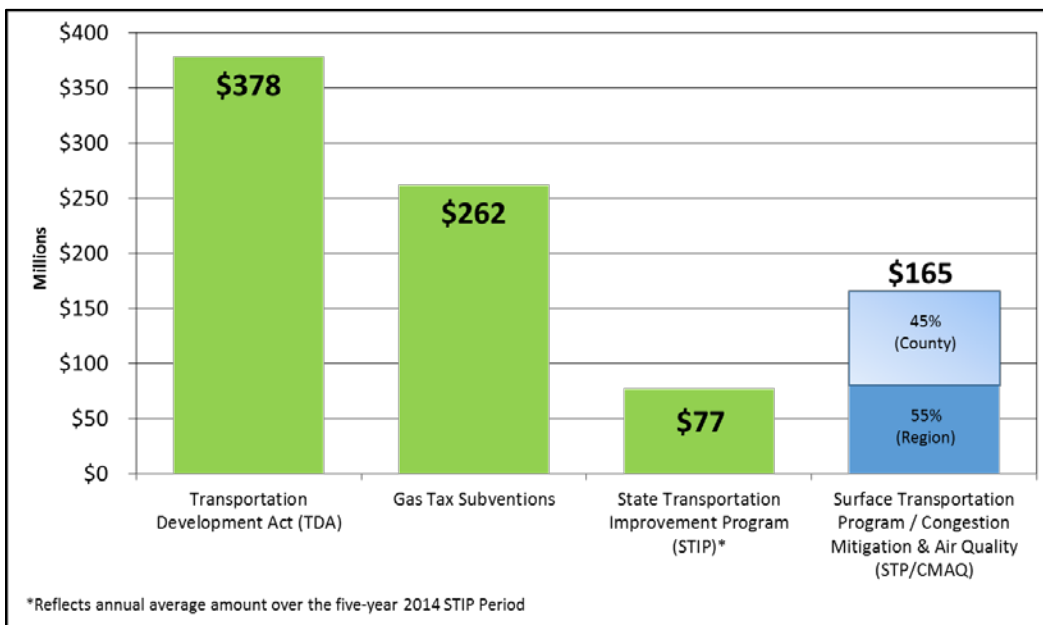


Chart 4

Transportation Fund Sources Available to Local Agencies (Estimated annual Revenue Amounts for FY 2016-17 unless otherwise noted)





Advancing the Regional Housing Agenda

Commission Workshop

December 14, 2016



Bay Area's Housing & Transportation Crisis

- Since 2010: 500,000 new jobs/ 50,000 new housing units
- 2015 freeway congestion report worst on-record

San Francisco Chronicle

NORTHERN CALIFORNIA'S LARGEST NEWSPAPER

FRIDAY, APRIL 8, 2016

Bay Area home prices now higher than before the recession

by David R. Baker

For some, it's a reason to celebrate. For others, a cause of despair.

Bay Area home prices are now even higher than they were before the recession, according to data released Friday by the State Board of Equalization. The Bay Area is the only region in California to claim that distinction.

The median price of an existing, detached, single-family house in the Bay Area hit \$1.25 million in 2015, 7 percent above the peak in 2006. The median throughout all of California last year reached \$473,995, about 15 percent below the 2006 level.

"It's great that housing prices have

"However, it also highlights the critical need to assure affordable housing options are available for working families in the Bay Area."

Median single-family home prices in the Los Angeles area, in contrast, remain 18 percent below their 2006 level. In the Inland Empire, badly hit by the mortgage crisis, prices

The Press Democrat

Santa Rosa declares emergency on homelessness

KEVIN MCCALLUM
August 9, 2016

Santa Rosa declared a homeless emergency Tuesday, a move council members said they hoped would give the city the ability to act swiftly to address the crisis and rally public support for long-term solutions.

While some questioned whether the move was merely symbolic, Councilmember Ernesto Olivares said he felt the declarations made by the council were substantial.

"It is an issue that affects every single person in our community," Olivares said. "I think what we're doing here is making a very strong statement to our community that we need their help."

The council took three distinct but related steps Tuesday.

It declared a shelter crisis, which makes it easier for the city to waive certain health and safety and zoning rules and wants to use money from the state's

open the door to state funding to combat the problem.

City staff noted that there were nearly 3,000 homeless people in Sonoma County, according to this year's annual census, nearly 1,000 of whom live in the Santa Rosa area and more than 1,200 of whom have no shelter.

The council's decisions were applauded by homeless advocates, who have been working to keep the plight of the homeless in front of city leaders for years.

Audrine Lauby, a member of Homeless Action who regularly urges the council to do more to help the city's shelterless population, applauded the city to act.

"If we had 3,000 people who were homeless because of a flood or a fire, we would do something about it," Lauby said.

But what exactly the city will do next remains unclear.

But his colleagues urged him to see the declarations as a broader call to action, or as Vice Mayor Tom Schwedhelm called it "all hands on deck."

He likened it to when the city came together more than a decade ago to grapple with its gang problem.

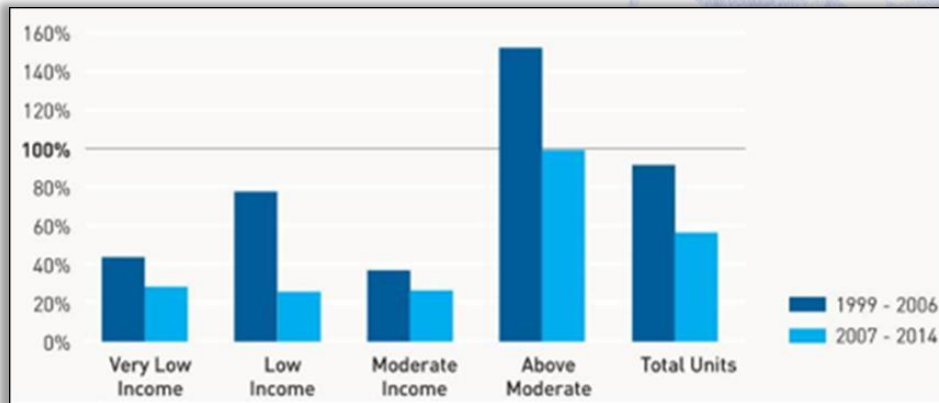
"Since we don't know what the solutions are yet, let's remove as many of the barriers as we can right now," Schwedhelm said.

Councilwoman Julie Combs gave an example of how, if the city wanted to use its buildings or properties to house people, it might be allowed to bring in portable toilets, where current zoning might either not allow it or require lengthy public processes.

"It allows us to take an action and then take the time to work out other issues with regards to zoning," Combs said.

Lagging Supply

- 35% of low & moderate homes permitted since 1999



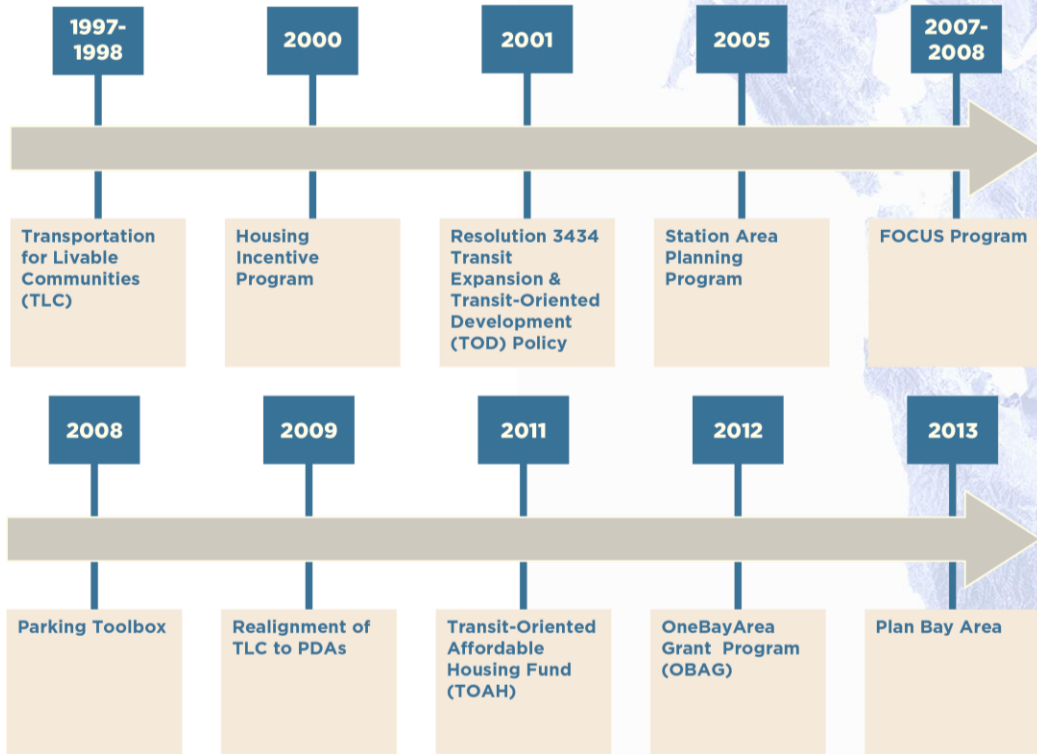
- 125,000 low & moderate homes that were not permitted
- Market rate supply provides almost no vacancy

High Rents Put Tenants at Risk of Displacement

Top 10 1 Bedroom Median Rents – April 2016

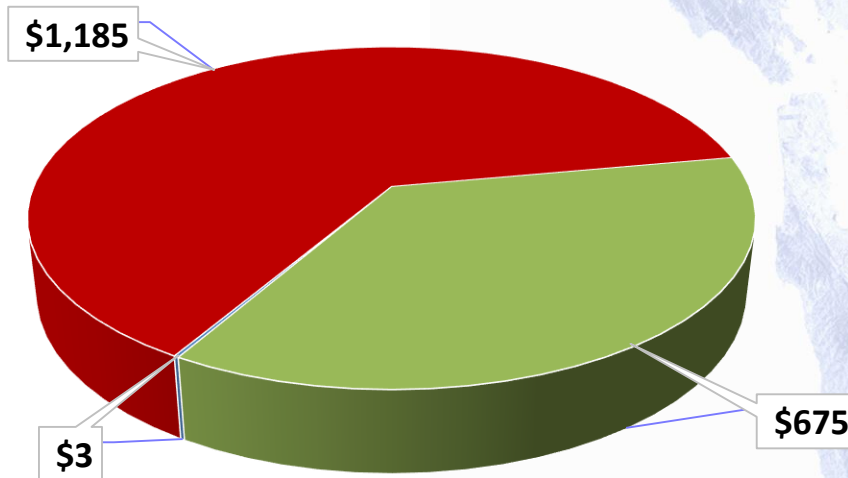


MTC's Historic Housing Role: Focused but growing



MTC's Historic Housing Role: Focused but growing

**MTC Annual Funding of \$1.9 Billion
FY 2012/13-2016/17**

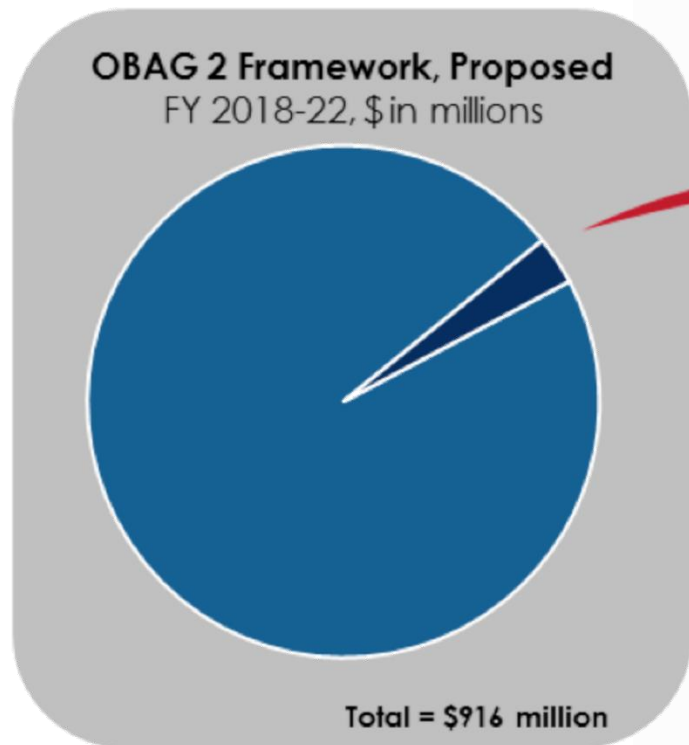


■ Housing and PCA Investments

■ Annual MTC Programming

■ Annual BATA Programming

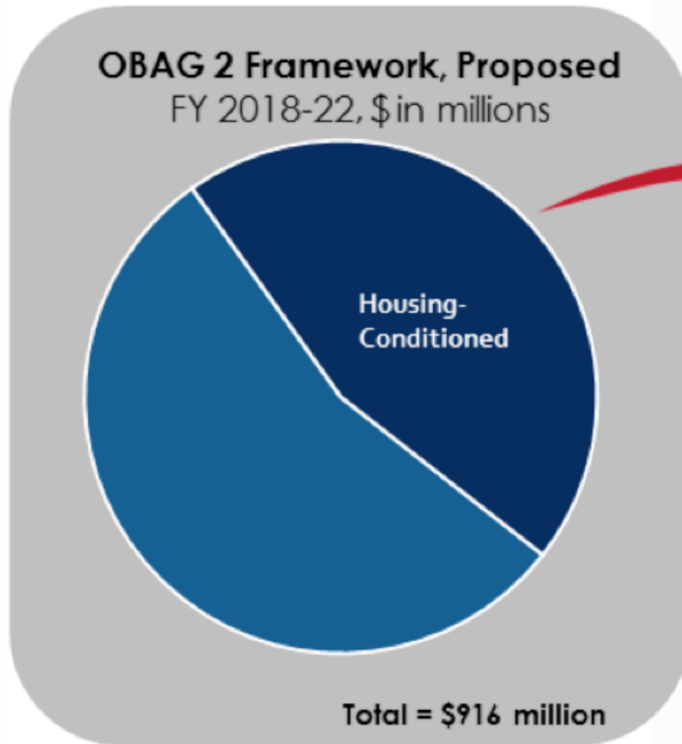
Limited Strategic Housing Investments



Housing Investments	
\$18 million	PDA Planning Grants
\$10 million	NOAH*
\$28 million	Total
	(3% of O BAG 2 total)

*Leveraging at 5:1

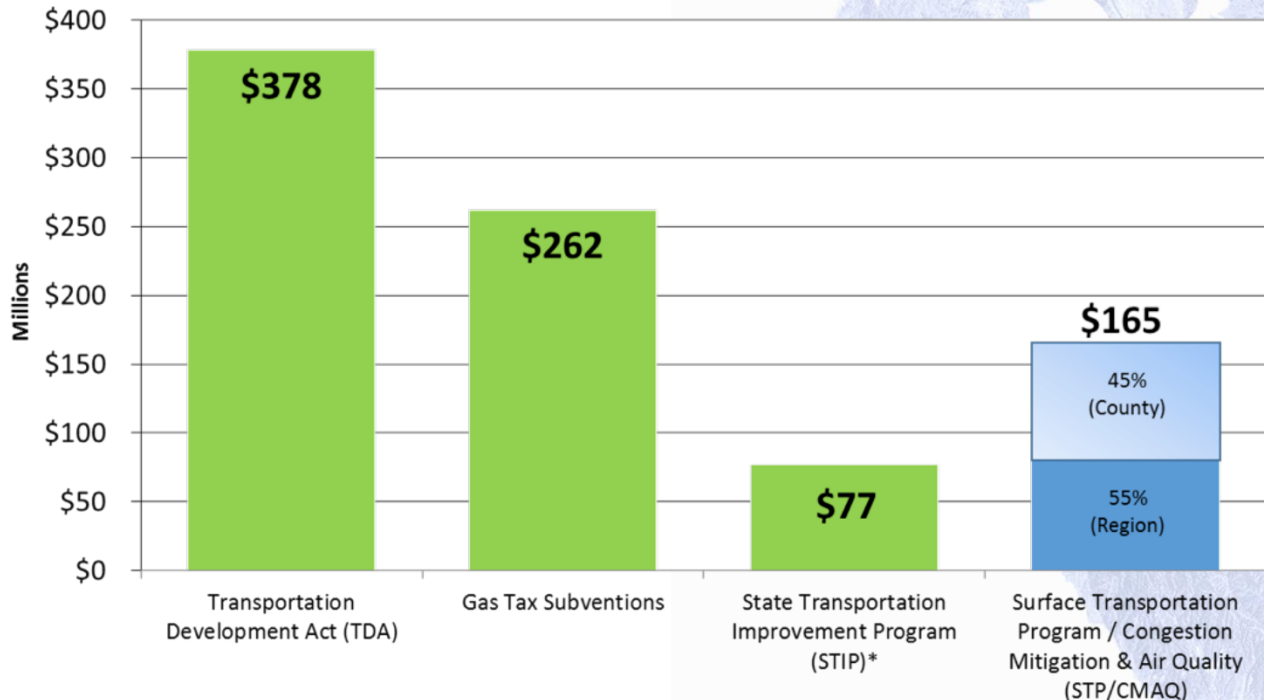
Transportation Investments Incentivizing Housing Production



Housing-Conditioned Transportation Investments	
\$386 million	County Program
\$30 million	80k by 2020 Challenge
\$416 million	Total
	(45% of OBAG 2 total)

Transportation Fund Sources Available to Local Agencies

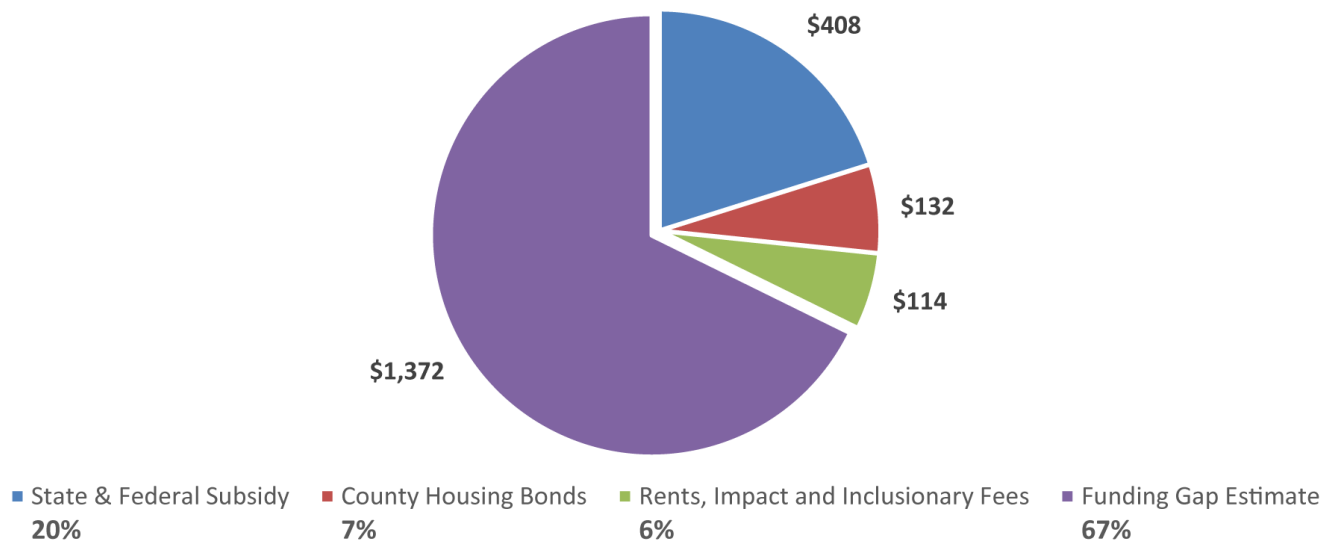
(Estimated Annual Revenue Amounts for FY 2016-17 unless otherwise noted)



* Reflects annual average amount over the five-year STIP Period

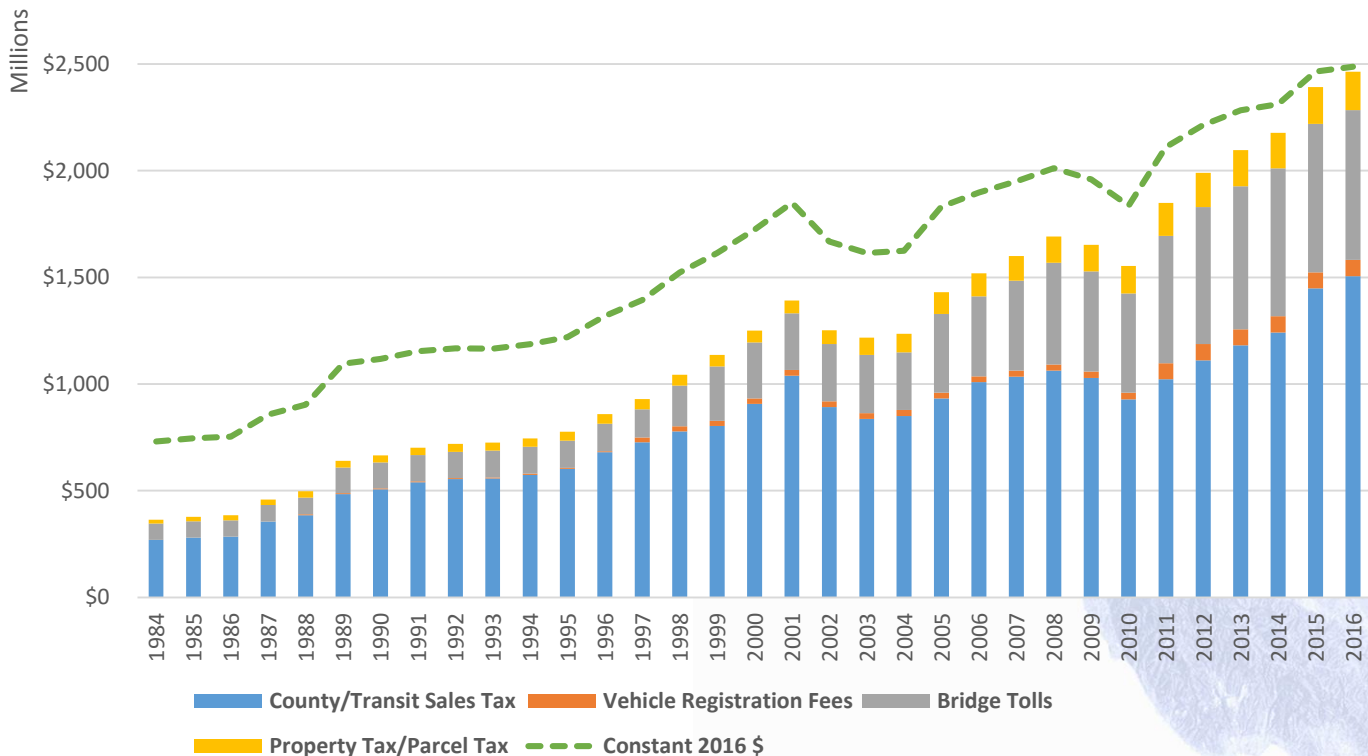
Housing's Annual Funding Shortfall

Reflects loss of RDA and 80% of federal funding



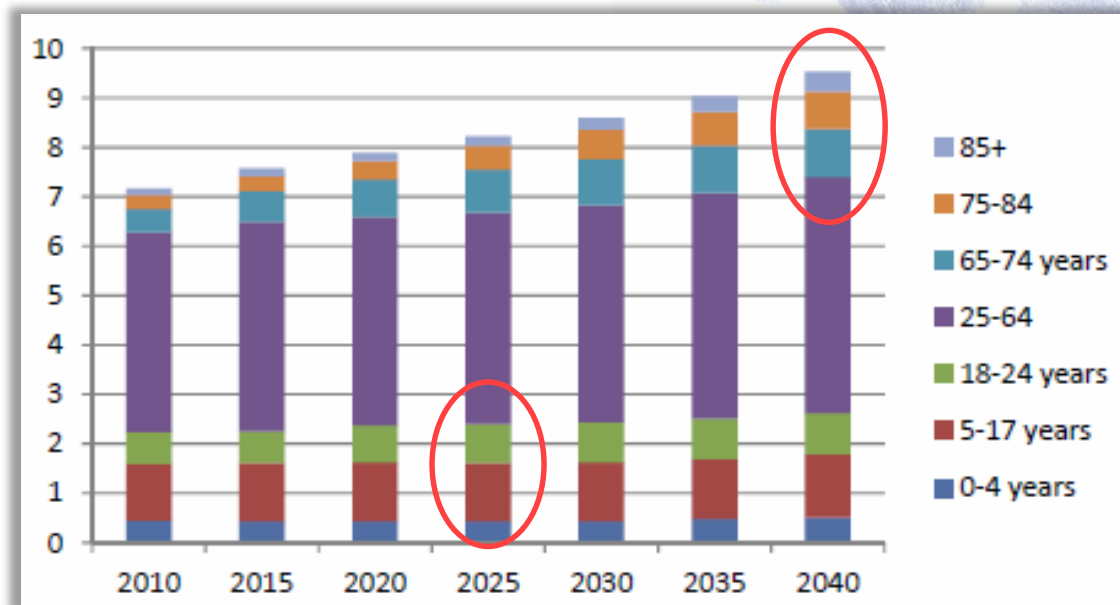
Bay Area Self – Help for Transportation

1984-2016, \$70 billion in 2016 \$



Who Do We Need to House?

- This is about our seniors and kids



Source: ABAG compilation from US Bureau of the Census and ABAG REMI 1.7.8, NC3RC1

CASA

- Committee for Affordable and Sustainable Accommodations
- Blue Ribbon multi-sector committee to identify **game-changing** solutions
- Build regional consensus on legislative, regulative, financial and market-related measures
- Identify near- and medium-term actions for approved Action Plan

CASA

- First major task of the Integrated Regional Planning Program
- Fred Blackwell, CEO of the San Francisco Foundation, and Leslye Corsiglia, Executive Director of SV@Home have agreed to serve as co-chairs
- Appointments to CASA would be made by the MTC Chair and ABAG President
- Launch in early 2017