



Wednesday, May 16, 2018  
11:00 pm to 1:30 pm

## CASA Technical Committee Meeting

Location: BART Board Room, 2040 Webster Street, Oakland CA 94612

### CASA Co-Chairs:

- Fred Blackwell, Chief Executive Officer, The San Francisco Foundation
- Leslye Corsiglia, Executive Director, Silicon Valley at Home
- Michael Covarrubias, Chief Executive Officer, TMG Partners

For information regarding CASA Technical Committee meetings, contact Wally Charles at wcharles@bayareametro.gov or 415-820-7993. For more information about the CASA process, visit the website at <http://mtc.ca.gov/CASA>.

## Agenda

11:00 am	I.	Welcome and Updates Co-Chairs
11:10	II.	CASA Steering Committee and Tax Policy Workshop Report from April 25 Meeting
11:20	III.	Changes to Gradients of Agreement Voting Procedure Discuss new rollcall voting procedure
11:30	IV.	Action Plan Presentations and Gradients of Agreement Voting <ul style="list-style-type: none"> <li>a) Affordable Production Sub-Work Group (Attachment 1)           <ul style="list-style-type: none"> <li>i) Support a Game Changing Regional Revenue Measure for 2020 Ballot (Attachment 2)</li> <li>ii) Support the Creation of a Robustly Resourced Regional Housing Fund (Attachment 3)</li> <li>iii) Support Active State Affordable Housing Funding Initiatives (Attachment 4)</li> <li>iv) Advance Promising Local and Regional Affordable Housing Funding Initiatives (Attachment 5)</li> </ul> </li> <li>b) Production Work Group           <ul style="list-style-type: none"> <li>i) 15-year Emergency Zoning Overlay (Attachment 6)</li> <li>ii) Mandatory Minimum Density near Transit (Attachment 7)</li> <li>iii) Carrots and Sticks/Cap and Trade for Housing (Attachment 8)</li> <li>iv) Expand Land Use Exemptions for Public Agencies (Attachment 9)</li> <li>v) Regionwide Inclusionary Zoning Policy (Attachments 10 and 11)</li> </ul> </li> </ul>
1:00	V.	CASA Action Plan Calendar Update (Attachment 12)
1:10	VI.	Public Comments
1:25	VII.	Next Steps and Input on Process

CASA TC Agenda May 16, 2018

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*Attachments:*

1. Memo: Affordable Housing Revenue Strategies for Consideration by CASA
2. Action Plan: Support a Game Changing Affordable Housing Measure for the 2020 Ballot
3. Action Plan: Support the Creation of a Robustly Resourced Regional Housing Fund
4. Action Plan: Support Active State Affordable Housing Funding Initiatives
5. Action Plan: Advance Promising Local and Regional Affordable Housing Funding Initiatives
6. Action Plan: 15-Year Emergency Zoning Overlay
7. Action Plan: Mandatory Minimum Density Near Transit
8. Action Plan: Carrots and Sticks/Cap and Trade for Housing
9. Action Plan: Expand Land Use Exemptions for Public Agencies
10. Action Plan: Regionwide Inclusionary Zoning Policy
11. Appendix to Inclusionary Zoning Policy
12. CASA Action Plan Calendar

## AFFORDABLE HOUSING REVENUE STRATEGIES FOR CONSIDERATION BY CASA

May 16, 2018

The Bay Area faces a significant funding shortfall for building the homes it needs to accommodate its lower-income seniors, people with disabilities, veterans, and hard working families. A recent report from Strategic Economics commissioned by the Great Communities Collaborative places the funding need to meet the current Regional Housing Need Allocation (RHNA) for low and very-low income households (<80% and <50% AMI respectively) at \$1.45 billion/year to build approximately 9,500 new affordable homes per year<sup>1</sup> through 2023 (the end of the current RHNA cycle). The funding gap estimated by Strategic Economics is a conservative estimate that does not take into account decades of underproduction of affordable homes. The true affordable housing funding need is significantly higher. For instance, the California Housing Partnership Corporation estimates the true need for affordable homes in Alameda, San Mateo, Santa Clara, Contra Costa and Sonoma Counties (the only Bay Area counties for which they produced reports in 2018)<sup>2</sup> to be at 182,779 units. At a rate of production of approximately 9,500 affordable units per year, it would take 19 years just to meet the *current* affordability need for just these five counties. Thus funding would need to be about \$9-\$10 billion/year<sup>3</sup> just for the Bay Area to fully close our affordable housing production gap by 2023.

**Regional responses:** To fill the Bay Area's regional affordable housing funding gap at a scale commensurate to our region's actual need, CASA must embrace "game-changing" solutions that make fundamental changes to the way Bay Area and the State have previously supported the construction of affordable homes in contrast to "business as usual." The affordable housing production subcommittee divided the proposed solutions into three broad categories:

**Game-changing Solutions:** Solutions that are at the scale of the affordable housing production need in the region that would put the Bay Area on a path towards sustainably housing its lower-income population.

**Significant steps forward:** Solutions that would raise significant affordable housing revenue in the region in unprecedented ways but do not get to the same scale as the "game changing" solutions.

**Low-hanging Fruit:** Solutions that are relatively easy for CASA to support and will raise substantial revenue for affordable housing but are limited in the overall subsidy they will generate.

**We are asking CASA to support four broad strategies today that together will make significant inroads towards fully closing the region's affordability gap. Some of the proposed actions will involve additional vetting while others represent ongoing campaigns that require commitment from CASA's membership to promote and support at the local, regional, and state levels.**

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<sup>1</sup> This is a conservative estimate based on a study commissioned by the Great Communities Collaborative, "Funding Affordable Housing Near Transit in the Bay Area Region," to determine how much funding is needed to meet the low and very-low income RHNA in the Bay Area. Bay Area Metro's own internal analysis of the funding need for Plan Bay Area 2040 puts the figure at \$1.4 billion/yr. Due to decades of under production of affordable homes the true need is likely several times the proposed figure and potentially hovers around \$8-10 billion/yr.

<sup>2</sup> In 2018 CHPC estimated the affordable housing need at each county to be: Alameda (53,691), Contra Costa (31,193), San Mateo (24,628), Santa Clara (58,583) and Sonoma (14,634)

<sup>3</sup> This is about 6 times the funding gap to fully build the RHNA to get the Bay Area to a place where it can meet both the previous and current affordable housing need at an estimated subsidy level of \$400,000 per unit and assuming a corresponding rise in State and Federal affordable housing subsidies

Our proposed solutions in order of impact:

1. **Game changing solution:** Support the creation of a working group comprised of CASA members to propose a game-changing regional affordable housing “plus” measure (i.e. affordable housing and transportation) whose affordable housing funding component is valued at \$40-\$50 billion for the 2020 ballot.<sup>4</sup>
2. **Significant step forward:** Support the creation of a working group (could be the same working group as above) that will be tasked with the creation of a robustly funded Regional Housing Fund comprised of several new funding sources that could collectively generate at least \$600 million - \$1 billion/yr. The Regional Housing Fund will provide permanent, ongoing funding for affordable housing production, preservation, and tenant protections at the regional level.
3. **Low-hanging fruit:** Commit CASA and your organizations to write support letters and using political capital to advance active state affordable housing initiatives including passage of the Veterans and Affordable Housing Act of 2018, passage of SB 912 in 2018. In addition, commit CASA to build a consensus position to support passage of commercial property tax reform (“Make it Fair”).
4. **Low-hanging fruit:** Commit CASA and your organizations to write support letters and use your political capital to advance promising existing local and regional affordable housing funding initiatives including:
  - Supporting robust conditioning of MTC’s transportation funding to achieve all 3Ps (for consideration in November 2018)
  - Supporting the creation of a regional infrastructure bank by MTC to subsidize infrastructure investments for affordable housing developments and developments with a substantial affordable housing component (for consideration in July 2018)
  - Supporting all local affordable housing funding initiatives that qualify to go before voters in 2018 including Emeryville, San Francisco and possibly Sonoma County (going before voters in June and November 2018)

When reviewing each action plan please bear in mind the following considerations:

- The top two proposals require further study and development, but are included to lend urgency and momentum to these key regional affordable housing funding initiatives and lay the groundwork for their ultimate passage
- Not all funding sources at the regional and state levels are expected to be enacted at the same time but are included for consideration and completeness as all have been/are presently under consideration by different policy-making bodies.

**Additional Reading:**

- Funding Affordable Housing near Transit in the Bay Area Region. Report by the Great Communities Collaborative, May 2017 [http://www.greatcommunities.org/wp-content/uploads/Report\\_Final\\_Updated\\_20170803.pdf](http://www.greatcommunities.org/wp-content/uploads/Report_Final_Updated_20170803.pdf)
- “A multi-billion-dollar ‘mega measure’ to fix Bay Area traffic for good heading your way.” The Mercury News, Dec 17, 2017 <https://www.mercurynews.com/2017/12/17/bay-area-traffic-fix-mega-measure/>

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<sup>4</sup> The viability of the \$40-\$50 billion figure is based on a regional transportation funding “mega-measure” under consideration by the Bay Area Council, SPUR, and Silicon Valley Leadership Group that would provide up to \$120 billion for “signature” transportation investments in the Bay Area without an affordable housing component. See article: <https://www.mercurynews.com/2017/12/17/bay-area-traffic-fix-mega-measure/>

<b>Support a Game Changing Affordable Housing Measure for the 2020 Ballot</b>		
1.1	<b>Key Element of CASA Compact</b>	# 14: Affordable Housing Production Funding
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	Support the creation of a working group comprised of CASA members to propose a game-changing regional affordable housing “plus” measure (i.e. affordable housing and transportation) whose affordable housing funding component is valued at \$40-\$50 billion for the 2020 ballot. A \$40-\$50 billion funding measure would generate enough subsidy to fully build out the Bay Area’s low and very-low income RHNA through 2023 (corresponding to about 9,500 units annually). Part of this funding measure would also be dedicated to the preservation of non-deed restricted affordable units. Such a funding measure would fundamentally change the scale of affordable housing production in the region and put the Bay Area firmly on the path towards solving the affordable housing crisis.
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input checked="" type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	Allow the Bay Area to meet its low- and very-low income RHNA by 2023 (serving households making <80% AMI)
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved? What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> <li>• Position affordable housing as vital an infrastructure need as transportation whose construction is essential for the continued economic success of the Bay Area and as a solution to traffic congestion and air quality concerns.</li> <li>• Need for research into the particular funding sources to generate such a high level of resources.</li> <li>• Will this regional funding measure be administered by a regional housing entity? Bay Area Metro?</li> <li>• How will costs be distributed among residents and businesses?</li> </ul>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	Requires further research and analysis. One possible avenue is a combination of sales tax increases and corporate taxes (recapturing some of the windfall profits due to tax reform) this is expected to impact all Bay Area residents and corporations beyond a certain size
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<b>Protect:</b> _____ tenant households annually <b>Preserve:</b> _____ net new units annually through  <b>Produce:</b> 200,000 net new units of housing by 2040 <input type="checkbox"/> Above moderate housing (>120% ami): <input type="checkbox"/> Middle market housing (81-120% ami): <input checked="" type="checkbox"/> Affordable housing (<80% ami): 9,500 units/year
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<input checked="" type="checkbox"/> Legislation <input checked="" type="checkbox"/> Regional Funding <u>Legislation:</u> Would require state-enabling legislation to provide the authority to place such a measure on the ballot. Such legislation would

		also need to provide a state override of any sales-tax caps (i.e. San Mateo County). <u>Regional funding:</u> Would require 2/3 voter approval by Bay Area voters
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	✓ <b>Medium-Term (3-5 years)</b>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<b>Difficult</b> <b>Rationale:</b> <i>Would require state-enabling legislation, a regional authority to administer funds (likely BAM), and 2/3 voter approval across all 9 Bay Area Counties. To be placed on the 2020 ballot.</i>

Support the Creation of a Robustly Resourced Regional Housing Fund		
1.1	<b>Key Element of CASA Compact</b>	# 14: Affordable Housing Production Funding
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>Support the creation of a working group (could be the same working group as the regional housing measure) that will be tasked with the creation of a robustly funded Regional Housing Fund comprised of several new funding sources that could collectively generate at least \$600 million - \$1 billion/yr. The Regional Housing Fund will provide permanent, ongoing funding for affordable housing production, preservation, and tenant protections at the regional level.</p> <p>Local funding for affordable housing remains scarce in the Bay Area. Following the State’s dissolution of Redevelopment, the Bay Area’s cities and counties lost approximately \$225 million worth of ongoing annual subsidies dedicated to affordable housing. The creation of a well-funded regional housing fund that could provide funding for affordable housing production and preservation represents a major step forward for the Bay Area to ensure that there are continuing resources to build a steady supply of affordable homes. The RHF could be comprised of several component funding sources including, but not limited to:</p> <ol style="list-style-type: none"> <li>a. A regional commercial linkage fee that charges a per-square foot fee for commercial/office development to be dedicated towards affordable housing.*</li> <li>b. A regional jobs-housing linkage fee (would charge a per-job fee on large employers whose offices are located in transportation inefficient places/ places with a jobs-housing ratio 30% above their countywide average)*</li> <li>c. A regional housing bond</li> <li>d. An energy extraction fee on California oil and natural gas</li> <li>e. Unused in-lieu fees and unused revenues in local jurisdictions’ bank accounts while still ensuring each jurisdiction still builds its fair share</li> <li>f. A regional real estate transfer tax on properties over \$1.5 million</li> <li>g. A regional transient occupancy tax to be levied on top of local transient occupancy taxes on short term rentals as well as hotel rooms to be dedicated to affordable housing development</li> </ol> <p>*Note that the commercial linkage and jobs-housing linkage fees are not necessarily additive, but are included here as part of the universe of funding sources under consideration.</p> <p>The Regional Housing Fund would work in alignment with other existing housing funding sources at the regional level including the CZI Regional Housing Fund, TOAH, NOAH.</p>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input checked="" type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	<p>A Regional Housing Fund would provide funding for several ongoing programs:</p> <ul style="list-style-type: none"> <li>• Direct subsidy for development of new permanently affordable homes through grants</li> <li>• Issuance of low-cost debt and equity to help meet additional affordable housing finance needs</li> </ul>



		<ul style="list-style-type: none"> <li>• Preservation uses based on recommendations from the Preservation Working Group</li> <li>• Tenant protections based on recommendations from the Protections Working Group</li> </ul>
1.5	<p><b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved? What are the major sticking points and areas of negotiation?</i></p>	<ul style="list-style-type: none"> <li>• No one source of funding generates enough revenue to fully close the Bay Area's housing affordability funding gap and for a housing fund to raise substantial revenues (in the hundreds of millions) it will require multiple sources</li> <li>• Sources will need to be adopted in stages with each funding source having its own advantages and drawbacks as well as political proponents and detractors</li> <li>• Most funding sources will require additional legislative authority through the State</li> <li>• Will require jurisdictional buy in to transfer unused local moneys into a regional pool with return to source</li> <li>• Who will administer the RHF once it is in place? Is it ABAG/MTC or a different housing entity?</li> </ul>
1.6	<p><b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i></p>	<ul style="list-style-type: none"> <li>• The housing fund will generate enough revenues to cover its own administrative costs</li> <li>• As proposed costs will be borne by the following actors: commercial developers, large employers, jurisdictions (in that they will be transferring some existing money), homeowners, visitors to the Bay Area</li> </ul>
1.7	<p><b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i></p>	<p>The size of the housing fund depends on the size of its of its component parts. However, if ambitiously structured with multiple funding sources, it could generate an estimated \$600 million - \$1 billion per year. The RHF would be comprised of several programs that together would advance all 3Ps. Assuming the RHF generates \$600 million/year the following is a <u>hypothetical</u> breakdown of what it could do:</p> <ul style="list-style-type: none"> <li>- \$400 million for affordable housing production</li> <li>- \$100 million for affordable housing preservation</li> <li>- \$100 million for tenant protections</li> </ul> <p>Protect: To be based on recommendations from the Protections Working Group</p> <p>Preserve: To be based on recommendations from the Preservation Working Group</p> <p><b>Protect:</b> _____ tenant households annually <b>Preserve:</b> _____ net new units annually through</p> <p><b>Produce:</b> 200,000 net new units of housing by 2040  <input type="checkbox"/> Above moderate housing (&gt;120% ami):  <input type="checkbox"/> Middle market housing (81-120% ami):  <input checked="" type="checkbox"/> Affordable housing (&lt;80% ami): 1,000 units/year (est.at \$400K/unit)</p>
1.8	<p><b>Potential Vehicles for Implementation</b> <i>Check all that apply</i></p>	<ul style="list-style-type: none"> <li>✓ Legislation</li> <li>✓ Regional Funding</li> </ul>

		<p><u>Legislation:</u> the State will need to grant Bay Area Metro or another entity the following authorities – ability to impose a commercial linkage fee/jobs-linkage fee, approval to place a 9 county homeowner general obligation bond on the ballot, authority to place a real estate transfer tax on the ballot in all 9 counties, authority to impose a transient occupancy tax in all cities in all 9 counties</p> <p><u>Regional funding:</u> Voters would need to approve by 2/3 a general obligation bond, real estate transfer taxes, transient occupancy tax. Jurisdictions would need to sign an MOU transferring unused in-lieu fees and other local moneys to be housed at the RHTF.</p>
1.9	<p><b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i></p>	<p>✓ <b>Medium-Term (3-5 years)</b></p>
1.10	<p><b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i></p>	<p><b>Medium</b>      <b>Rationale:</b> <i>While parts of a Regional Housing Fund could be implemented in the near future, for the Housing Fund to have its full desired impact it would require a strong coalition to push for it at the state and local levels. It also depends on the particular funding sources that are put in place as some can be put in place in relatively short order whereas others require more complex administrative structures.</i></p>

<b>Support Active State Affordable Housing Funding Initiatives</b>		
1.1	<b>Key Element of CASA Compact</b>	# 14: Affordable Housing Production Funding
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>2018 is proving to a landmark year for affordable housing with many funding sources and legislation under consideration. Given the breadth of ongoing affordable housing campaigns and initiatives at the local, regional, and state levels CASA members should endorse these measures as “low hanging fruit” and commit to campaigning for their passage/local adoption. Below is a prioritized list of housing measures that CASA should endorse and its member organizations should campaign for in their relevant jurisdictions:</p> <p>State-level initiatives:</p> <ul style="list-style-type: none"> <li>• Support passage of the Veterans and Affordable Housing Act which will infuse \$3 billion of state funding into resource-starved affordable housing programs and \$1 billion to into homeownership programs for veterans</li> <li>• Support SB 912 which will dedicate \$2 billion from the State budget surplus for affordable housing and homelessness programs</li> <li>• Build a consensus position to support passage of commercial property tax reform (aka. “Make it Fair”)</li> </ul>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	[X ] Protection      [X ] Preservation      [x ] Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	Combined, these initiatives stand to raise billions for affordable housing for the Bay Area and will fully close the funding gap left by the dissolution of Redevelopment. This will lead to the construction of thousands of affordable homes across the region while also supporting the local adoption of tenant protections and housing preservation ordinances (through conditioning of funds). These interventions will benefit primarily lower-income (<80% AMI) families that are overpaying for housing.
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved? What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> <li>• Could CASA and its member organizations each commit to writing letters in their own letterheads in support of the various initiatives as well as commit some staff time to advancing them at the state level?</li> <li>• In the case of the Veterans and Affordable Housing Act, and Make it Fair Campaigns will CASA member organizations agree to endorse, resource, and help move those campaigns forward?</li> </ul>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	Potential costs of the various initiatives vary: <u>State-level initiatives:</u> California taxpayers in general, for Make it Fair it would be borne by commercial property owners
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<p>Combined, depending on what is approved, these initiatives have tremendous potential to boost affordable housing production raising around \$1.75 billion for the Bay Area* (Please see table after section 1.10 for how these numbers were arrived at)</p> <p><b>Protect:</b> _____ tenant households annually* <b>Preserve:</b> _____ net new units annually through*</p>



		<p>Exact number depends on how funding programs are administered at state level</p> <p><b>Produce:</b> 200,000 net new units of housing by 2040  <input type="checkbox"/> Above moderate housing (&gt;120% ami):  <input type="checkbox"/> Middle market housing (81-120% ami):  <input checked="" type="checkbox"/> Affordable housing (&lt;80% ami): ~4,375 (est.at \$400K/unit)</p>
1.8	<p><b>Potential Vehicles for Implementation</b>  <i>Check all that apply</i></p>	<ul style="list-style-type: none"> <li>✓ Legislation</li> <li>✓ Regional Funding</li> <li>✓ Regulatory Reform</li> </ul> <p><u>Legislation:</u> Support SB 912  <u>Statewide Funding:</u> Support passage of the Veterans and Affordable Housing Act of 2018  <u>Regulatory Reform:</u> Build a consensus position to support Make it Fair</p>
1.9	<p><b>Time Frame</b>  <i>Time needed for action to be approved and implemented.</i></p>	<ul style="list-style-type: none"> <li>✓ <b>Short-Term (0-2 years)</b></li> </ul>
1.10	<p><b>Feasibility</b>  <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i></p>	<p><b>Medium Rationale:</b> Cumulatively, these measures represent a relatively light lift for CASA yet their passage would help move the needle towards addressing the affordable housing crisis in the Bay Area</p>

**Ongoing potential sources of affordable housing funding for the Bay Area**

What	How much for BA?	One Time or Annual
Veterans and Affordable Housing Bond Act of 2018	\$750,000,000	One time
SB 912	~\$500,000,000	One time
Make it Fair (with a \$2 billion statewide affordable housing allocation)	~\$500,000,000	Annual
Total	\$1.75 billion	

<b>Advance Promising Local And Regional Affordable Housing Funding Initiatives</b>		
1.1	<b>Key Element of CASA Compact</b>	# 14: Affordable Housing Production Funding
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>There are a number of promising local and regional initiatives in 2018 that together could infuse significant resources to increase affordable housing production, protect tenants, and preserve existing affordability. These initiatives would greatly benefit from having CASA support.</p> <p>Regional initiatives:</p> <ul style="list-style-type: none"> <li>• Support conditioning transportation funding to achieving all 3Ps of housing production (both affordable and market), tenant protections, and preserving existing affordability.</li> <li>• Support the creation of a Regional Infrastructure Bank by MTC to subsidize infrastructure investments for affordable housing developments</li> </ul> <p>Local initiatives: Support all local affordable housing funding initiatives that qualify to go before voters in 2018 for the June and November ballots (possible measures include Emeryville, San Francisco, and possibly Sonoma County)</p>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input checked="" type="checkbox"/> Protection <input checked="" type="checkbox"/> Preservation <input type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	The cumulative effect of these initiatives would be to significantly advance all 3Ps by raising resources to foster affordable housing production and incentivizing the local adoption of tenant protections and housing preservation policies.
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved? What are the major sticking points and areas of negotiation?</i>	Could CASA and its member organizations each commit to writing letters in their own letterheads in support of the various initiatives as well as commit some staff time to advancing them at the local and regional levels?
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	<u>Regional:</u> None; uses existing funding <u>Local initiatives:</u> various but primarily homeowners and some businesses
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<p>These initiatives have tremendous potential to impact all 3Ps raising between \$500-\$750 million for the Bay Area*(Please see table after section 1.10 for how these numbers were arrived at)</p> <p><b>Protect:</b> Supporting conditioning MTC funding to tenant protections would likely lead to thousands of tenants being protected each year. Numbers are not available at this time.</p> <p><b>Preserve:</b> Supporting conditioning MTC funding to adopting a local preservation ordinance would likely lead to thousands of units with expiring deed-restrictions to be preserved annually across the Bay Area.</p>

		<p><b>Produce:</b> 200,000 net new units of housing by 2040  <input type="checkbox"/> Above moderate housing (&gt;120% ami): _____ units  <input type="checkbox"/> Middle market housing (81-120% ami): _____ units  <input checked="" type="checkbox"/> Affordable housing (&lt;80% ami): 1,250 – 1,750 units</p>
1.8	<p><b>Potential Vehicles for Implementation</b>  <i>Check all that apply</i></p>	<p>✓ Regional Funding          ✓ Other</p> <p><u>Regional Funding:</u> Support creation of an Infrastructure Bank and conditioning MTC funding on preservation of affordable housing (both deed-restricted and unrestricted) and tenant protections  <u>Other:</u> Support the many local affordable housing funding campaigns that have qualified for the ballot in June and November 2018 (SF, Emeryville, possibly Sonoma and others)</p>
1.9	<p><b>Time Frame</b>  <i>Time needed for action to be approved and implemented.</i></p>	<p>✓ <b>Short-Term (0-2 years)</b></p>
1.10	<p><b>Feasibility</b>  <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i></p>	<p><b>Medium Rationale:</b> Cumulatively, these measures represent a relatively light lift for CASA yet their passage would help move the needle towards addressing the affordable housing crisis in the Bay Area</p>

**Ongoing potential sources of affordable housing funding for the Bay Area**

What	How much for BA?	One Time or Annual
MTC Infrastructure Bank	\$250,000,000	One time
Local Funding Measures (Emeryville, Sonoma, SF)	\$500,000,000+	Both
Total	\$750,000,000	



## 15-Year Emergency Zoning Overlay

1.1	<b>Key Element of CASA Compact</b>	# 10: More Types of Housing in Different Neighborhoods
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	State legislation creates an emergency, 15-year zoning overlay which makes housing an allowable use on sites zoned for commercial, retail, and institutional uses. Cities could not deny a housing project application consistent with the height and bulk restrictions of the underlying zoning. Projects on these sites would be eligible for density bonus. Local, regional or statewide inclusionary zoning requirements would apply. This overlay could apply statewide, or as a pilot in the Bay Area.
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	Increase the supply of land that is available for housing production  Capitalize on the oversupply of vacant and/or underutilized commercially-zoned properties across the Bay Area
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>  <i>What are the major sticking points and areas of negotiation?</i>	<ul style="list-style-type: none"> <li>• Cities who rely on sales taxes are reluctant to rezone commercial sites due to fiscal impacts.</li> <li>• Consider exempting core CBDs such as downtown SF</li> <li>• Would ideally be paired with a regionwide inclusionary zoning policy</li> <li>• Could lead to displacement of small businesses</li> </ul>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	Minimal costs
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<b>Protect:</b> _____ tenant households annually <b>Preserve:</b> _____ net new units annually through <b>Produce:</b> 200,000 net new units of housing by 2040 <input checked="" type="checkbox"/> Above moderate housing (>120% ami): <input checked="" type="checkbox"/> Middle market housing (81-120% ami): <input checked="" type="checkbox"/> Affordable housing (<80% ami): _____ units
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<input checked="" type="checkbox"/> Legislation
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	<input checked="" type="checkbox"/> <b>Short-Term (0-2 years)</b>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<i>Select one</i> <i>Rationale:</i>  <b>Moderate</b> <b>Challenging local control;</b>



### Mandatory Minimum Density Near Transit

1.1	<b>Key Element of CASA Compact</b>	# 10: More Types of Housing in Different Neighborhoods
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	New state law requires that all sites within a ½ mile of a major transit stop cannot be zoned for less than 3.5 stories and 40 units to the acre. No parking minimums will apply to proposed projects on these sites.  Cities could comply with the law in a variety of ways: allowing second and third homes on single family lots, eliminating minimum lot sizes, creating multi-family or mixed-use zones, or using any other method to achieve the minimum density/height. Local, regional or statewide inclusionary zoning requirements would apply.
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	Increase the residential capacity of neighborhoods near transit.  Foster inclusion in existing single-family neighborhoods near transit by allowing for more and smaller units.
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved? What are the major sticking points and areas of negotiation?</i>	Will likely generate strong opposition in areas that are currently predominantly single-family homes.  Statewide legislation or Bay Area pilot?
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	Will require cities to update their zoning, incurring financial costs.
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<b>Protect:</b> _____ tenant households annually <b>Preserve:</b> _____ net new units annually through  <b>Produce:</b> 200,000 net new units of housing by 2040 [ x ] Above moderate housing (>120% ami): [ x ] Middle market housing (81-120% ami): [X] Affordable housing (<80% ami): _____ units
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	✓ Legislation
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	✓ <b>Short-Term (1-2 years)</b>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	Select one <i>Rationale:</i>  <b>Moderate</b> <b>Challenging local control; similar to SB 827</b>

## Carrots and Sticks/Cap and Trade for Housing

1.1	<b>Key Element of CASA Compact</b>	# 13: Fiscal Incentives and Requirements for Cities
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>Develop paired incentives and requirements that compel jurisdictions (primarily cities) to rezone more sites for housing and achieve production targets. Some possible tools to accomplish this include:</p> <ul style="list-style-type: none"> <li>• For every year that a jurisdiction is out of compliance with RHNA, that jurisdiction must pay a (very large) fee, which is then used to build affordable housing in another jurisdiction that is meeting its targets. This fee should be designed to not penalize jurisdictions who are unable to comply due to market economics; alternative compliance mechanisms such as small infill (ADU-quads) should be allowed for these jurisdictions. (AB 1350 provides one example of this approach).</li> <li>• Require jurisdictions to zone for at least 150% of their RHNA (SB 828) and/or require that each jurisdiction must zone for an increase of at least 10% above the current population.</li> <li>• Jurisdictions that meet their RHNA targets and/or sufficient zoning retain local control over zoning. Those that fail to meet their target or rezone adequately are subject to state-imposed rezoning. These jurisdictions also lose access to certain funds (eg jobs-housing linkage fee or Regional Measure 3).</li> </ul>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	Encourage cities to rezone adequate sites and meet their RHNA targets; create meaningful consequences for those who do not.
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved? What are the major sticking points and areas of negotiation?</i>	<p>How much should non-compliant cities retain control over zoning and project approvals? If transferring some authority to the state, what does that look like?</p> <p>Given the fiscal challenges that cities face, leveraging large fees/fines without a new source of funding will be difficult.</p> <p>How to differentiate between ‘bad actors’ and jurisdictions that have weak market conditions.</p>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	Will require cities to update their zoning. State will also incur administration/oversight costs. Cities out of compliance will lose funding and/or need to pay significant fees.

1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<b>Protect:</b> _____ tenant households annually <b>Preserve:</b> _____ net new units annually through  <b>Produce:</b> 200,000 net new units of housing by 2040 <input checked="" type="checkbox"/> Above moderate housing (>120% ami): <input type="checkbox"/> Middle market housing (81-120% ami): <input checked="" type="checkbox"/> Affordable housing (<80% ami): _____ units
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<input checked="" type="checkbox"/> Legislation <input checked="" type="checkbox"/> Regional Funding <input checked="" type="checkbox"/> Statewide Funding <input checked="" type="checkbox"/> Regulatory Reform
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	<input checked="" type="checkbox"/> <b>Medium-Term (3-5 years)</b>
1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<i>Select one      Rationale:</i>  <b>Moderate                      Challenging local control;</b>

<b>Expand Land Use Exemptions for Public Agencies</b>		
1.1	<b>Key Element of CASA Compact</b>	# 10: More Housing in More Neighborhoods
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>Extend zoning exemptions to more public/quasi-public agencies to construct housing on land they own, including:</p> <ul style="list-style-type: none"> <li>• Transit agencies (BART, VTA, Caltrain etc)</li> <li>• Public schools and universities</li> <li>• Public and investor-owned utilities</li> </ul> <p>Current legislation, AB 2923 (Chiu), which would give this power to BART, provides an example of how such a mechanism could work. That bill requires local governments to change their zoning laws to conform to zoning standards adopted by BART, and mandates that 20% of units must be affordable.</p> <p>This mechanism should only apply to infill sites and should exclude areas managed for watershed, open space or habitat values.</p> <p>Bay Area Metro should provide technical assistance to aide public agencies in zoning and releasing land for housing development.</p>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<input type="checkbox"/> Protection <input type="checkbox"/> Preservation <input checked="" type="checkbox"/> Production
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	Increase the supply of land available for housing
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved? What are the major sticking points and areas of negotiation?</i>	<p>Agencies may have competing objectives for their real estate. May need to consider flexible approaches such as ground leases, and incentives to focus on housing instead of other uses.</p> <p>CPUC approval would be needed for investor-owned utilities</p>
1.6	<b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i>	Most costs will be incurred by agencies themselves. Costs to BAM to provide technical assistance.
1.7	<b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i>	<p><b>Protect:</b> _____ tenant households annually</p> <p><b>Preserve:</b> _____ net new units annually through</p> <p><b>Produce:</b> 200,000 net new units of housing by 2040</p> <p><input checked="" type="checkbox"/> Above moderate housing (&gt;120% ami):</p> <p><input checked="" type="checkbox"/> Middle market housing (81-120% ami):</p> <p><input checked="" type="checkbox"/> Affordable housing (&lt;80% ami): _____ units</p>
1.8	<b>Potential Vehicles for Implementation</b> <i>Check all that apply</i>	<ul style="list-style-type: none"> <li>✓ Legislation</li> <li>✓ Education and Advocacy</li> <li>✓ Sharing Best Practices</li> </ul>
1.9	<b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i>	✓ <b>Medium-Term (3-5 years)</b>

1.10	<b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i>	<i>Select one</i>  <b>Moderate</b>	<i>Rationale:</i>
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## Regionwide Inclusionary Zoning Policy

1.1	<b>Key Element of CASA Compact</b>	# 10. More Types of Housing in Different Neighborhoods
1.2	<b>Brief Description</b> <i>1-3 sentence summary of action or policy</i>	<p>Including affordable homes in market rate housing developments is <i>one way</i> to create mixed-income communities –curbing segregation trends– and do so somewhat efficiently. Additionally, if there is an offsite option for the affordable homes, additional resources can be generated that can leverage state and Federal public resources affordable housing developers need to complete 100% new affordable projects and/or pursue acq/rehab/preservation deals.</p> <p><b>PLEASE SEE ATTACHED CHART ENTITLED “INCLUSIONARY ZONING STRAWMAN” FOR DETAILED PROPOSAL.</b></p>
1.3	<b>Supports these CASA goals:</b> <i>(check all that apply)</i>	<p><input type="checkbox"/> Protection      <input checked="" type="checkbox"/> Preservation      <input checked="" type="checkbox"/> Production</p>
1.4	<b>Desired Effect</b> <i>What problem would this solve? Who would benefit? If applicable, identify any specific populations who will especially benefit.</i>	<ul style="list-style-type: none"> <li>• Increase production of market rate and affordable homes in the whole region by creating consistent framework for community expectations and developers’ pathways to entitlements.</li> <li>• The specific populations will be everyone as additional homes, especially in the specific location where new homes are built, will have relief and options from additional supply.</li> <li>• Communities where new homes are created will benefit from the addition of new affordable homes and access to nearby opportunities and amenities, especially if units are included onsite and/or in a AHTF that feeds 100% affordable projects nearby. Noting, a preference for local community members has been instituted in cities like San Francisco and Oakland. These enhance this solution to displacement.</li> </ul>
1.5	<b>Key Questions and Points of Concern</b> <i>What key questions or issues need to be resolved?</i>  <i>What are the major sticking points and areas of negotiation?</i>	<p>While inclusionary zoning looks good to affordable housing advocates, it often looks like yet another obstacle to market rate developers facing various obstacles and other costs. While many market rate developers would be willing to include affordable homes and face the cost issues, calibrating a policy that will be feasible for communities and the market is very complicated –and if done wrong may depress the development of the much-needed market and affordable homes.<sup>[3]</sup> Hence, our challenge is to identify/develop a policy that can effectively, efficiently, and equitably incentivize more housing at all income levels across our big region.</p> <p>Questions and key issues are elaborated in attachment.</p>

<sup>[3]</sup> The Turner Center Housing Development Dashboard - <https://turnercenter.berkeley.edu/dashboard>



1.6	<p><b>Resources Needed</b> <i>What costs will be incurred and by whom? Note any funding sources that are readily available, if known.</i></p>	<p>Education (staff and materials) need to occur for cities, developers and communities to understand new rules, applications and creative paths.</p> <p>Bay Area Metro would -within its housing division-</p> <ul style="list-style-type: none"> <li>a) retain in-house or 3<sup>rd</sup> party housing development economists experienced in market rate housing development finance and construction modeling.</li> <li>b) Staff a Housing Appeals Board that will consider alternative compliance mechanisms as needed</li> <li>c) Obtain software to manage program monitoring</li> </ul>
1.7	<p><b>Scale of Impact</b> <i>(as measured by Plan Bay Area goal alignment)</i></p>	<p>These calculations have not been completed yet and will be done in close consultation with MTC.</p> <p><b>Protect:</b> ___ TBD ___ tenant households annually</p> <p><b>Preserve:</b> ___ TBD ___ net new units annually through long term affordability covenants or put into nonprofit ownership</p> <p><b>Produce:</b> 820,000 net new units of housing by 2040</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Above moderate housing (&gt;120% ami): ___ TBD ___ units</li> <li><input type="checkbox"/> Middle market housing (81-120% ami):</li> <li><input type="checkbox"/> Affordable housing (&lt;80% ami): ___ TBD ___ units</li> </ul>
1.8	<p><b>Potential Vehicles for Implementation</b> <i>Check all that apply</i></p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Legislation</li> <li><input checked="" type="checkbox"/> Regional Funding</li> <li><input type="checkbox"/> Statewide Funding</li> <li><input checked="" type="checkbox"/> Regulatory Reform</li> <li><input checked="" type="checkbox"/> Education and Advocacy</li> <li><input checked="" type="checkbox"/> Pilots &amp; Spreading Best Practices</li> <li><input checked="" type="checkbox"/> Other: regional agency staffing and consultants</li> </ul>
1.9	<p><b>Time Frame</b> <i>Time needed for action to be approved and implemented.</i></p>	<p><b>Select one</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Short-Term (0-2 years)— for state law change and regional power to spur additional land acquisition, building permits, education and a regional AHTrust Fund to be established.</li> <li><input checked="" type="checkbox"/> Med-Term (3-5 years)— for</li> <li><input checked="" type="checkbox"/> Long-Term (6-10 years)— complete market penetration and ready for next market cycle to have increased volume</li> </ul>
1.10	<p><b>Feasibility</b> <i>Select one and describe your rationale for why this level of feasibility is anticipated.</i></p>	<p><b>Select one      Rationale:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Easy</li> <li><input checked="" type="checkbox"/> Medium- If this were part of the grand bargain, the easy part is working with advocates; however, it will be hard to work with local jurisdictions and may be hard to get state law changed</li> <li><input type="checkbox"/> Difficult</li> </ul>

**ATTACHMENT**  
**Regionwide Inclusionary Zoning Policy**  
**Problem Statement and Strawman Solution**

**Core Problem:**

Including affordable homes in market rate housing developments is *one way* to create mixed-income communities –curbing segregation trends– and do so somewhat efficiently. Additionally, with an offsite option for the affordable homes, new resources can be generated to leverage some of the resources affordable housing developers need to do 100% affordable projects. While many market rate developers would be willing to include affordable homes and face the cost issues, calibrating a policy that will be feasible for communities and the market is very complicated –and if done wrong may depress the development of the much-needed market and affordable homes. Hence, our challenge is to identify/develop a policy that can effectively, efficiently, and equitably incentivize more housing at all income levels across our big region.

**Background information:**

1. The Bay Area is becoming increasingly segregated by income and race. Unequal access to housing options drives sprawling development patterns; worsens traffic congestion; pollutes air quality; increases taxpayer dollars spent on basic infrastructure; and decreases racial, cultural, and economic diversity. Inclusionary/Incentive Zoning throughout the US is applied as an important tool to create inclusion as well as face the inefficiencies and unsustainability of sprawl. It can increase access to opportunities like good schools and jobs. Many planning professionals and cities recommend inclusionary zoning as an essential tool in the local government toolkit to create more inclusive housing developments and neighborhoods.
2. Inclusionary Zoning, as a stand-alone policy tool without economic incentives to assist a developer to pay for affordable units, can suppress housing production in a city or a region. Recent experience in Portland and elsewhere document that inclusionary rates set too high cause a fall-off in housing production. Best practice guides to inclusionary recommend that it be paired with incentives including density bonuses, tax rebates (sometimes for as long as a decade or more), permit expedition, alternative means of compliance including allowing the payment of in-lieu fees, and/or the provision of affordable housing off-site.
3. California cities, many of which already charge housing impact fees or use the State Density Bonus, may treat inclusionary units as “additive” to these underlying planning and fee programs, creating a layering of affordability requirements that reduces the feasibility of housing production and can cause a reduction in housing delivery.

While a court case (LUNA) states that inclusionary units shall be held to satisfy the State Density bonus, the findings of this court case should be codified and made clear. California must clarify its laws so that market rate housing “pays once” for inclusion either by (1) building on-site affordable units or (2) by paying either an in lieu fee or a housing mitigation fee but not both and not on the affordable units and (3) that when inclusionary unit affordability levels (say 15% of units are required to be made available at 80% of AMI) are not in synch with density bonus affordability levels (say 50% of units are affordable to 10% AMI) that the VALUE DIFFERENCE between the cost of providing more inclusionary units at a higher AMI and the cost of providing fewer units at a lower AMI will be credited to the development so that in no case would a developer, to secure the State Density bonus, be required to for example provide 10% at 50% AMI AND 5% at 80% AMI such that the project is effectively not receiving full credit for the more affordable more expensive density bonus units.

4. A number of Bay Area communities are creating new inclusionary standards. Some of them are

proposing standards that far exceed the likely ability of new housing developments to achieve these standards. Setting overly high inclusionary rates effectively stops housing expansion by making housing developments infeasible. Inclusionary standards above 15%, according to research by the Turner Center for Housing Innovation, are likely to stop most new construction deals. Creating a regional standard for inclusionary housing can assist to clarify what is reasonable for Bay Area jurisdictions across market cycles.

**Proposed Solution:**

Inclusionary zoning throughout the US is typically applied successfully with a package of varied incentives to make sure that it works as intended and does not suppress housing production. A package that strikes a balance between the goals of inclusion and the necessity of incentives summarized in the attached strawman inclusionary zoning (IZ) proposal. This was developed and vetted amongst a group of people with different relevant experience with IZ policies and practices with a keen eye towards Bay Area realities. It is envisioned that a baseline policy such as this strawman would be achieved by the region gaining authority to apply it regionally.

**Strawman for a Regionwide Inclusionary Zoning Policy**

**DRAFT: 5/9/18**

POLICY COMPONENTS	STRAWMAN POINTS	OUTSTANDING ISSUES
1. How would a regional policy apply when local jurisdictions have control?	<p>Approach the State to have state law changed to give region the power to override region and set standards for all local jurisdictions.</p> <p>Sticks: State law needs to be created to mandate that regional government can have the authority to set policy, conduct feasibility studies, and set standards. While that is in motion, MTC would condition transportation funding to having in place a local inclusionary zoning ordinance that meets the following minimum requirements.</p> <p>Carrots: Jurisdictions that comply would be eligible for discretionary transportation funding and grant programs.</p>	
2. <b>Threshold:</b> What size project does a policy apply to?	<p>&lt; 20 units: establish a housing fee on new for-sale homes that exceed a certain price threshold. Fee would be payable based on a percent of sales price above this threshold.* Fees would be paid to city and if it didn't want to manage it, city could elect to pass onto a county AH Trust Fund. (To incentivize the production of rental housing, no fee on rental units would be required for first five years, subject to comprehensive review in 2024.)</p> <p>&gt; 20 units: If affordable housing units are provided on site (per above), then no fee payment is required. Developers have the option to pay a fee under specific circumstances for ownership developments that fit certain criteria. Rental developments must provide on-site affordable housing units within the developments unless granted an exception.</p>	<p><i>*For example:</i> Units that are sized 1500SF or below do not pay fee. For each increment of sales price (for units above minimum size threshold), the following fee applies:</p> <ul style="list-style-type: none"> <li>• 1% of sales price up to \$600,000</li> <li>• 3% of the sales amount that exceeds \$600,000 and up to \$999,000.</li> <li>• 4% of sales price for the amount that exceeds \$1 million and up to \$1,999,000.</li> <li>• 5% of sales price for the amount that exceeds \$2 million.</li> </ul>
3. What percentage of a project should	10% minimum and 15% maximum	Note: This aligns with AB 1505 requirements—15% maximum

<p>be required to be affordable through all Bay Area geographies and market cycle points?</p>	<p>Is it assumed the places with ordinances that go above the 15% requirement would be grandfathered.</p> <p>There will be a strict process for City's to obtain a waiver or partial waiver to go above or below, or adjust for things like affordability levels, reduced fees and/or offsite options. See below for more info.</p>	<p>unless a feasibility study shows a higher number is possible.</p> <p><i>We could have a 'dial' that shows interplay of % requirement and AMI levels.</i></p>
<p>4. What <b>affordability levels</b> should be targeted?</p>	<p>Rental: Allow income levels of affordable units to go up to 120 AMI with an average of 80 AMI</p> <p>Ownership: Allow income levels of affordable units to go up to 150 AMI with an average of 120 AMI</p>	<p><i>Need to give more thought to the ownership AMI levels because of the 35% of income allowance in first time homebuyer programs</i></p>
<p>5. <b>Affordability period</b></p>	<p>55 rental units/45 homeownerships</p>	
<p>6. What <b>incentives</b> should be offered to developers for achieving the affordable homes?</p>	<ul style="list-style-type: none"> <li>✓ Density bonuses (<i>Revised to achieve greater usage. Need to discuss whether they apply to base or all unites?</i>)</li> <li>✓ Design flexibility</li> <li>✓ Set back flexibility</li> <li>✓ Parking reduction</li> <li>✓ Fast track permitting</li> <li>✓ Welfare tax exemption for affordable units</li> <li>✓ Fee deferral</li> <li>✓ Fee waiver</li> </ul>	<p><i>Need to pursue the potential for tax abatement on market rate units. (Note: Seattle is ~10 years, New York is ~15 years.)</i></p>
<p>8. Would a <b>waiver</b> be possible and if so, under what conditions?</p>	<p>Yes. There will be a strict process for City's to obtain a waiver or partial waiver to go above or below, or adjust for things like affordability levels, reduced fees and/or offsite options.</p> <p>This standard would be set by the state and administered by the region.</p> <p>Appendix A shows a package of <i>Draft Criteria for Initiating Alternative Compliance Mechanisms</i></p>	<p><i>How long would alternative compliance mechanisms last?</i></p> <p><i>It would be helpful to have an online calculator available for the public to test assumptions of cities and/or projects applying for the alternative compliance mechanism and/or waiver.</i></p>
<p>9. What options should apply for the developer/city/community –<b>in lieu, offsite, other commensurate benefits</b>, etc.- to allow for creative problem solving?</p>	<p>Yes, there should be alternative compliance options including offsite construction, in-lieu fees, and land dedication of at least comparable value to providing the units on-site.</p> <p>The fees would go to a local jurisdiction or county Affordable Housing Trust Fund.</p>	<p><i>While in-lieu fees would be an alternative, the amount a fee would needs to be worked out.</i></p>
<p>10. What <b>companion administrative functions</b> are needed to execute policy successfully?</p>	<p>A regional housing department would be needed to spread best practices to all jurisdictions, monitor implementation of policies, monitor the units for cities who need the service, staff a commission that oversees the policy and considers waivers, report all requests and determinations to State HCD.</p>	

**Select References:**

1. *The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington DC and Suburban Boston Areas*, Furman Center for Real Estate and Housing Policy and Center for Housing Policy, March 2008. <http://furmancenter.org/files/publications/IZPolicyBrief.pdf>
2. Ewing, Reid, Rolf Pendall, and Don Chen. 2003. "Measuring Sprawl and Its Transportation Impacts." *Transportation Research Record: Journal of the Transportation Research Board* 1831 (1): 175–83 - <http://mrc.cap.utah.edu/wp-content/uploads/sites/8/2015/04/fulltext1.pdf>
3. Inclusionary Housing, Grounded Solutions website with many resources <https://inclusionaryhousing.org/>
4. Jacobus, Rick, *Inclusionary Housing: Creating and Maintaining Inclusive Communities*, Lincoln Institute for Land Policy, September 2015. <https://www.lincolninst.edu/publications/policy-focus-reports/inclusionary-housing>
5. MacDonald, Graham, *The Effect of Local Government Policies on Housing Supply*, *Terner Center for Housing Innovation*, 2016. [http://turnercenter.berkeley.edu/uploads/The\\_Effect\\_of\\_Local\\_Government\\_Policies\\_on\\_Housing\\_Supply.pdf](http://turnercenter.berkeley.edu/uploads/The_Effect_of_Local_Government_Policies_on_Housing_Supply.pdf)
6. San Francisco's current policy and 'dial': <http://sfmohcd.org/inclusionary-housing-program>
7. The Terner Center Housing Development Dashboard - <https://turnercenter.berkeley.edu/dashboard>
8. The Urban Displacement Project, 2017 <http://www.urbandisplacement.org/case-studies/ucb>

## Appendix A: CASA Inclusionary Zoning: DRAFT Criteria for Initiating Alternative Compliance Mechanisms

### CITY

- **When a City's market rent is insufficient to support the cost of new construction at that market rent for the proposed construction type (particularly costlier mid-rise, high-rise) (definition from Turner Center)**
- **City shall be exempted from regional Inclusionary Zoning** on-site requirements and housing impact fees if according to a consistent set of criteria, projects are not practical in its real estate market with the requirements
- City shall see if projects can work using use alternative inclusion compliance mechanisms including:
  - Off-site: allow affordable sites to create an affordable deal next to a market rate deal
  - Partial waivers to include:
    1. Raising the AMI's to just below market rates: for the inclusionary units to reduce initial cost burden but accrue benefits over time
    2. Reduce or do not apply housing in lieu fees or inclusionary requirements beyond the State Density Bonus law

### INDIVIDUAL HOUSING PROJECTS

- **When a housing development (that is not a density bonus project) cannot either (1) afford the inclusionary requirements or (2) afford to pay a housing impact fee, the project can:**
  - Appeal impositions at project application completeness to either the City or Bay Area Metro at the discretion of the developer
  - Appeal must include project proforma with:
    1. All current costs, fees, impositions, inclusionary requirements
    2. Cost escalation at current market trend rates
    3. 3<sup>rd</sup> party estimate and escalating factor for costs
    4. 3<sup>rd</sup> party confirmation of debt and equity and cap rate assumptions including required returns to secure debt and equity capital
    5. 3<sup>rd</sup> party documentation of current market rent conditions and projected rents required to achieve required project returns
    6. Project request for reduction of inclusionary, increase of AMIs, reduction of housing fees, or combination thereof to achieve project economic viability.
  - Project will be evaluated by third party economist experienced with residential development proformas, current construction and capital costs, and market return requirements. Fee for this service to be paid for by developer. Consistent methodology for the third-party economists will be established.
  - Appeal will include at least one in-person meeting with developer, and appeals staff or board to explore alternative compliance mechanisms to make projects work and provide maximum opportunities for inclusion.

### BAY AREA METRO HOUSING STAFFING IMPLICATIONS

- **Staffing: Bay Area Metro will within its housing division retain in-house or 3<sup>rd</sup> party housing development economists experienced in market rate housing development finance and construction modeling.**
- **These professional staff will review and approve/condition/deny the developer or city appeal requests within 60 days of submittal.**
- **Staff level rulings can be appealed to appointed Housing Impositions Appeals Board by the developer. Cities shall have no right to appeal.**
- **Housing Appeals Board** to be comprised of 7 members and meet weekly or as needed
  - Members shall include:
    1. 1 affordable social equity advocate
    2. 1 non-profit housing developer
    3. 1 market rate housing developer
    4. 1 development economist familiar with affordable and market rate housing development financial modeling and construction requirements
    5. 1 real estate or planning professional with experience in local government land use administration, redevelopment, or economic development
    6. 1 lending institution that provides both affordable and market rate housing finance either debt or equity
    7. 1 equity investor

**Action Plan Calendar**

updated 5/1/2018

CASA -- Action Plan Calendar	March	April	May	June	July
Meeting Dates Technical Committee Steering Committee	Wed, March 28	Wed, April 18 Wed, April 25	Wed, May 16	Wed, June 20	Wed, July 18 Wed, July 25
<b>Themes</b>	* Tenant Protections  *Reducing Costs of Construction	* Tenant Interventions  * Missing Middle housing	* Affordable Production Part 1 (funding)  *Rezoning more sites for housing  *Entitlement Reform Part 1	* Preservation  * Affordable Production Part 2  *Inclusionary Zoning	* New funding tools and incentives  *Entitlement Reform Part 2
<b>KEY ELEMENTS OF CASA COMPACT Working Draft List</b>					
<b>Protection Working Group (Jennifer Martinez and Linda Mandolini)</b>					
1. Permanent anti-rent gouging rent cap w/ catch-up provision	X				
2. Stronger just cause eviction requirements	X				
3. Tenant Services and right to counsel		X			
4. Short-term rental and relocation assistance		X			
5. Rent stabilization incentives for landlords				X	
<b>Preservation Sub-Working Group</b>					
6. Regional tracking and notification system				X	
7. Flexible housing preservation fund					X
8. Promote preservation of affordability at the local level <ul style="list-style-type: none"> <li>a. One to one replacement</li> <li>b. First right of refusal</li> <li>c. Capacity-building and education</li> </ul>				X	

