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April 22, 2021

Mr. Jason Elliott
Senior Counselor to Governor Gavin Newsom
Housing and Homelessness
Sacramento, CA

Re: Joint budget ask to help address the Bay Area's housing needs

Dear Mr. Elliott,

Thank you for your continued leadership in putting forward bold investments to help our state recover and grow in the aftermath of the pandemic. As the Bay Area also recovers, we see a tremendous opportunity to address our region's homelessness and housing crises through smart investments in this year's budget. In addition to the \$20 billion over five years to reduce homelessness, given this year's unexpected budget surplus, we are we are specifically requesting that the state front load housing investment by providing \$3 billion to build stalled affordable housing developments that received HCD funding, \$500 million to acquire and rehabilitate naturally occurring affordable homes and convert them into permanent affordable housing, \$18.5 million to kick start the Bay Area Housing Finance Authority (BAHFA), and \$20 million to help low- and moderate-income homeowners build Accessory Dwelling Units.

Despite the COVID-19 pandemic, California's general fund is projected to have a \$10.5 billion surplus. We strongly recommend a significant portion of funding be dedicated to addressing the state's housing and homelessness crises, which Governor Newsom dedicated the near-entirety to his State of the State address to just prior to the pandemic. Our organizations collectively advocate for the full spectrum of solutions to the Bay Area's housing crisis so that our region can thrive by addressing the housing needs of all its residents from people experiencing homelessness, to teachers and retail workers who cannot find affordable housing, to the middle class who is priced out of homeownership. We recognize that our most urgent needs are for solutions that get people who are experiencing homelessness and are unsheltered into housing, and we need solutions that span the whole housing spectrum from preventing homelessness, to interim housing solutions, to permanent affordable housing, market-rate housing production and housing preservation.

As the Bay Area seeks to recover from the COVID-19 pandemic that has exacerbated our region's existing racial and class inequities and worsened our homelessness crisis, it is critical that the state make smart investments now as a downpayment to a more equitable recovery:

- **\$3 billion to build stalled affordable housing developments that received HCD funding:** Throughout our state hundreds of affordable housing developments representing over 10,000 units are currently stalled due to a lack of federal resources, this includes 140 HCD-funded projects (with 33 in the Bay Area) that would be under construction now but for the lack of tax exempt bonds made available through the federal government. Our request for \$3 billion would allow for these 140 affordable housing developments, many of which would be deeply affordable, to commence construction immediately helping the state build thousands of desperately needed deeply affordable homes so that people can get and stay housed.
- **\$500 million to acquire and rehabilitate "naturally" occurring affordable housing and convert them into permanent affordable homes:** Affordable, private market rental housing, where the overwhelming majority of low-income Californians



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live, is disappearing rapidly as residents are priced out and pushed out of their homes and communities. This housing, referred to as “unsubsidized affordable housing” is essential; although not currently deed-restricted or publicly subsidized, it is rented at levels more affordable to low-income Californians. The Bay Area alone lost roughly 32,000 unsubsidized affordable homes annually between 2012-2017. To stem this displacement and loss of affordability, we respectfully request a \$500 million investment in a holistic funding strategy for the acquisition and preservation of occupied, currently unsubsidized multifamily housing that mission-driven organizations can purchase and preserve as permanently affordable.

- **\$18.5 million to set up the Bay Area Housing Finance Authority:** As you know, the Bay Area’s housing crisis isn’t just a San Francisco problem, an Oakland problem, a Silicon Valley problem, or a North Bay problem; it’s a regional crisis that requires regional coordination and resources to make a change at scale. This was the rationale for the establishment of the Bay Area Housing Finance Authority by AB 1487 (Chiu) in 2019. MTC and ABAG have identified five pilot programs that BAHFA will set up that will enable the region to address urgent housing challenges facing Bay Area residents, such as the risks of displacement due to rent increases while helping to ready the region to effectively and equitably deploy significant capital from a future regional ballot measure. A seed investment of \$18.5 million to launch the five pilot programs will work to sustain the momentum of grassroots support and philanthropic interest in BAHFA and begin to develop the programs and strategies that will ultimately be funded by a regional measure. The program could be funded by a modest contribution from the General Fund or other funding sources available for affordable housing.
- **\$20 million to help low- and moderate-income homeowners construct Accessory Dwelling Units (ADUs):** Since 2016, the State has passed a slew of reforms to ease the construction of ADUs, which have proven to be effective in increasing the State’s housing stock and creating naturally occurring affordable housing. According to a [2020 UC Berkeley Turner Center report](#), ADU permits in California increased from approximately 6,000 to 18,000 between 2018 and 2019. Meanwhile, ADU completions increased from approximately 2,000 to 7,000 in the same period. However, major financial barriers remain for homeowners with lower income or fewer assets that are unable to access traditional financing options to construct ADUs. Our request for \$20 million would establish a financing tool that expands opportunities for low- and moderate-income households to construct ADUs and build wealth.

We are grateful for your leadership and for your consideration of this request,

Sincerely,

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