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April 27, 2017

Mr. Olson Lee
Director
Mayor's Office of Housing and Community Development
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103-1267

RE: Award of \$5M in Affordable Housing Jumpstart Program Grant

Dear Mr. Lee:

I am pleased to inform you that the City and County of San Francisco has been chosen as a recipient of MTC's new Affordable Housing Jumpstart grant program. In December 2016, the Commission took action to create a grant program aimed to complement recently approved housing bonds to galvanize new affordable housing projects (see December Commission agenda item, attached).

The grant provided to San Francisco should specifically target neighborhoods undergoing rapid community change and destabilization, such as the Mission District, home to several census tracts that historically have been considered Communities of Concern (COC) by MTC's designation, but more recently have not met the COC thresholds. This change in designation underscores the radical changes that have occurred in a neighborhood's socio-economic and racial composition in recent years. We see the Jumpstart grant program as an opportunity to strategically target pooled investments in communities with the most pronounced affordability challenges.

As noted in the Commission approval referenced above, Jumpstart grants can be used to secure sites for affordable housing projects or help bridge funding gaps for affordable projects where site control is already in place. The program requires a minimum leverage toward total development costs of 9:1 prior to distributing funds, with leveraged amounts of any fund source eligible. We are still in the early stages of developing the final program details and grant agreements, however, we do anticipate the grant will operate on a reimbursement basis. We will continue to work with your staff on the required documentation as the program is developed.

We look forward to working with you on the successful implementation of this grant. The lead MTC staff in this effort is Doug Johnson. Please let me (415-778-5250) or Doug Johnson (415-778-5246) know if we can be of further assistance.

Sincerely,



Alix A. Bockelman
Deputy Executive Director, Policy

cc: Kate Hartley, Deputy Director – Housing, SF Mayor’s Office of Housing and
Community Development

AB:MA

Attachments:

Staff Report
MTC Resolution No. 4260

**Metropolitan Transportation Commission
Programming and Allocations Committee**

December 14, 2016

Agenda Item 3c

MTC Resolution No. 4260

Subject: Approve reallocation of funds from the Transit Oriented Affordable Housing fund to create the Affordable Housing Jumpstart program.

Background: The region's housing crisis continues, with median housing costs at all-time highs coupled with slow median wage growth and limited production of low and moderate income housing over the last 15 years (the region has only produced 35% of very low, low and moderate income RHNA allocations). To tackle these challenges, MTC dedicated \$30 million in the last six years to support the construction and preservation of affordable housing. The pilot initiatives for this investment are the Transit Oriented Affordable Housing (TOAH) fund and the Naturally Occurring Affordable Housing (NOAH) program, the latter of which is still in final development since its adoption by the Commission in July 2016. MTC's investments will leverage public, private, and philanthropic funds at least 4:1 on these investments. MTC's housing investments to date are summarized in Table 1 below.

Table 1: MTC Housing Investments

Program	MTC	Date	Program Size	Leverage
TOAH	\$10 million	March 2011	\$50 million	4:1
TOAH	\$10 million	February 2014	TBD	TBD
NOAH	\$10 million	July 2016	\$60 million	5:1

TOAH is intended to help finance the purchase of land for affordable housing projects. MTC's original TOAH investment of \$10 million made over \$35 million in loans since inception in 2011, supporting the development of over 800 affordable homes. Most of those loans have been or will soon be repaid as expected when projects secure long-term construction financing, but few new loans are being made due to a lack of construction funding. The lack of state and federal grant funding for affordable or construction mixed income housing construction has severely limited the use of TOAH and the purchase of land for affordable housing overall. As a result of the stifled affordable grant environment, the second allocation of TOAH funding, set aside in 2014 as a part of OBAG 1, has not been deployed.

Staff therefore recommends re-purposing the funds set aside for TOAH in February 2014 for a different but timely purpose. We propose creating an Affordable Housing Jumpstart grant program to reward those counties voting for housing bonds and galvanize new projects. Specifically, the funds would be provided to San Francisco County (Proposition A for \$310 million), Alameda County (Proposition A1 for \$580 million), and Santa Clara County (Proposition A for \$950 million). San Francisco's housing

bond, passed in 2015, has already helped jumpstart affordable housing construction. Challenge grant funds would complement these bond funds to secure sites for projects or help fund the inherent gap needs that affordable projects have where site control is already in place. Staff is recommending that this investment be leveraged at a minimum of 9:1 at the end of construction as outlined in Table 2.

Table 2: Anticipated Jumpstart Grant Program Impact

Description	Impact
Units Constructed (# of buildings)	180 (3 buildings)
Estimated Cost per Unit	\$500,000
Estimated Land Cost	\$10 million
Total Value	\$100 million
Leverage on MTC Investment	9:1

Staff suggests that these funds specifically target communities undergoing the most pronounced change as defined by the density of census tracts removed from MTC's Communities of concern designation.

Neighborhoods such as the Mission District in San Francisco, home to six census tracts (with a combined population of 25,969 in 2014) that are no longer Communities of Concern due to rapid community change, are recommended for funding.

Given the relative cost of land in each county, staff suggest the following distribution of funds: 50% to San Francisco, 20% to Alameda County and 30% to Santa Clara County. Proposition A in San Francisco, passed in 2015, is already at work creating new affordable homes. Staff suggests starting the challenge grant there, while Alameda and Santa Clara Counties establish their programs now that the bond measures have been approved. Staff will conduct an RFP process with its partners in the City and County of San Francisco on a schedule to be determined to identify and select an appropriate site or sites.

In summary, staff recommends redirecting \$10 million from the Transit Oriented Affordable Housing fund to the Affordable Housing Jumpstart grant program using the distribution noted in Table 3. Exchange funds are already in hand and can be deployed for this purpose. As a reminder these are "clean" local funds and are therefore eligible to be spent on housing-related expenses.

Table 3: Proposed Distribution of Funds

County / COC	MTC Target Investment	Local Bond Measure and Other Housing Funding sources	Total Affordable Housing Investment
San Francisco / Mission District	\$5 million	\$45 million	\$50 million
Alameda / TBD	\$2 million	\$18 million	\$20 million
Santa Clara / TBD	\$3 million	\$27 million	\$30 million
Total	\$10 million	\$90 million	\$100 million

Issues: Staff acknowledges that this \$10 million investment is quite modest compared to the affordable housing funding shortfall that the region confronts. But the 9:1 leverage would result in a \$100 million total investment. And this new pilot program would offer the Commission another opportunity to “learn by doing” in how to incentivize local jurisdictions to pursue a self-help strategy for closing the region’s gaping affordable housing deficit.

Recommendation: Refer Resolution No. 4260 to the Commission for approval.

Attachment: MTC Resolution No. 4260

Date: December 21, 2016
W.L.: 1611
Referred by: PAC

ABSTRACT

Resolution No. 4260

This resolution authorizes Executive Director or his designated representative to transfer \$10 million from the Transit Oriented Affordable Housing Fund (TOAH) to the Affordable Housing Jumpstart grant program.

This resolution repeals MTC Resolution No. 4199, which previously allocated this \$10 million from the One Bay Area Grant program to TOAH.

Further discussion of this action is contained in the Programming and Allocations Committee summary sheet dated December 14, 2016.

Date: December 21, 2106
W.I.: 1611
Referred by: PAC

RE: Affordable Housing Jumpstart Program

METROPOLITAN TRANSPORTATION COMMISSION

RESOLUTION NO. 4260

WHEREAS, the Metropolitan Transportation Commission (MTC) is the Regional Transportation Planning Authority for the San Francisco Bay Area pursuant to Government Code §§ 66500 *et seq.*; and

WHEREAS, MTC and the Association of Bay Area Governments (ABAG) support transit oriented development through the One Bay Area Grant and Priority Development Area Planning grant programs; and

WHEREAS, MTC and ABAG adopted Plan Bay Area and the Preferred Scenario for Plan Bay Area 2040 which included a target to reduce the combined cost of housing and transportation for low-income families by 2040, which are estimated to account for over 70% of these households' income in 2010 and 2040; and

WHEREAS, the cost of housing has increased to the point the Bay Area is the most expensive housing region in the country; and

WHEREAS, the counties of San Francisco, Alameda, and Santa Clara passed housing bond measures in 2015 and 2016 to help address the regional housing crisis; and

WHEREAS, the Commission passed Resolution 4199 in 2014 to expand the investment in the Transit Oriented Affordable Housing (TOAH) fund by \$10 million from OBAG-1; and

WHEREAS, the Commission did not spend any funding identified in Resolution 4199 due to restrictions in funding for affordable and mixed-income housing production; and

WHEREAS, those funds can be committed to a new pilot to accelerate the construction of new affordable housing near transit with the Affordable Housing Jumpstart grant program; now therefore be it

RESOLVED, that the Commission repeals Resolution 4199, which has not been implemented and none of the funding identified therein has been spent; and

RESOLVED, that the Commission authorizes the Executive Director or his designated representative to transfer \$10 million from the Transit Oriented Affordable Housing Fund to the Affordable Housing Jumpstart grant program.

METROPOLITAN TRANSPORTATION COMMISSION

Dave Cortese, Chair

The above resolution was entered
into by the Metropolitan Transportation
Commission at a regular meeting
of the Commission held in San Francisco,
California, on December 21, 2016.