ABAG Report to MCCMC[1]
March 2024

EXECUTIVE SUMMARY: This report includes a synopsis of the status of Priority Conservation Areas and upcoming grant program, the upcoming Regional Bond Measure for Housing and the Final Business Plan, a synopsis of the Regional Housing Needs allocation for the past several cycles along with a summary of housing costs in the Bay Area and welcome back to the Town of Corte Madera who recently rejoined ABAG!

PRIORITY CONSERVATION AREAS (PCAs): PCAs are a set of geographies aimed to support broad conservation efforts. The PCA planning framework was originally developed in 2007 and received a minor update in 2014. During that time, 185 PCAs were nominated through a voluntary, locally-driven process by cities, counties, and park/open space districts, and then designated by ABAG. As the growth framework and Priority Development Areas (PDAs) went through a significant update during Plan Bay Area 2050, many partners and stakeholders articulated a need to revamp the PCA planning framework as part of the Plan Bay Area 2050 Implementation Plan.

Recently, there has been an effort to 'refresh' the PCA program. After analyzing existing PCAs and asking stakeholders for their input on the strengths and weaknesses of the existing Framework several challenges emerged. Analysis of the existing PCA mapping exposed four challenges: 1) PCAs have poorly defined geographic boundaries. 2) PCA types are inconsistently applied in the region. 3) The existing PCA definition is inconsistent with how PCAs are used and funded. 4) Climate adaptation and equity are not directly incorporated into PCAs. 5) Existing PCAs have incomplete coverage across the region. 6) Existing PCA funding is too restricted and insufficient to meet the needs.

The proposed reforms aim to address these challenges and add structure to the PCA Framework to enable their use in a greater array of efforts, while still allowing local flexibility to raise local conservation priorities into the regional conservation fabric. The six key reforms are below, which are further delineated in the draft Final Report:

1. Refine the PCA definition to be clearer and reflect how they are used in practice. The revised definition broadens PCAs from a protection-only framework to one that allows enhancement activities as well. This change removes any perceived conflict between PCAs within an existing community or Priority Development Area. It also ensures farm-tomarket access, habitat restoration, or trail improvement enhancement projects continue to be covered by the PCA definition.

2. Add climate adaptation as a new PCA type and incorporate equity into each PCA type. Climate adaptation and equity were key policy priorities raised from the beginning of the process. They are directly incorporated into the framework to complement biodiversity which has existed since the first PCA Framework.

3. Ensure PCAs have accurate and verified geographic boundaries. One of the greatest challenges with existing PCAs is their poorly defined and overlapping boundaries. Having accurate and adjoining boundaries will enable their greater use in regional analysis and planning going forward.

4. Ensure consistency with minimum data standards for PCA types. Likely the most significant change is the inclusion of minimum data standards within each PCA type. These minimum data standards are not intended to reduce the coverage of PCAs regionwide, but instead are included to ensure PCAs hold together when used regionally. The minimum data standards aim to strike a balance between adding

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[1] Marin County Council of Mayors and Councilmembers (MCCMC)

5. sufficient structure to make the PCAs more useable for planning, technical assistance and funding, while also allowing for local flexibility to raise key local conservation priorities. Over 30 datasets relevant to PCA type objectives are used to set minimum data standards. Examples of the datasets used are the Conservation Land Network Essential Lands, Farmland Mapping and Monitoring Program, Regional Trail Network, National Land Cover Tree Canopy, and Fire Hazard Severity Zones.

6. Incorporate regionally-identified PCAs to complement local nominations. Similar to approaches taken in Plan Bay Area 2050 to broaden the Priority Development Area program to a set of growth geographies that include regionally-identified areas, regionallyidentified PCAs will help ensure that regionally-significant and regionally-connective conservation opportunities are incorporated into the Framework. Regionally-identified PCAs are designed to complement locally-nominated PCAs with both sharing the same use and importance.

7. Elevate PCAs for new funding with refreshed Framework. While there is not a specific funding reform within the Framework, we anticipate the structured and consistent approach that leverages more defensible data will potentially improve competitiveness for federal, state, and other regional funds.

After incorporating feedback and finalizing the Report, staff will present and seek approval to implement the proposed reforms at the ABAG Executive Board in May 2024. If approved, MTC/ABAG staff will begin work with partners to implement Phase I and develop a process to evaluate and amend existing PCAs. In parallel to implementing the PCA Refresh reforms, ABAG/MTC anticipates announcing a call for OBAG3 PCA grant projects in March. This round of grants is not directly tied to the process to implement the PCA Refresh and will use the existing PCAs. Comments on the full report are due by the end of March and can be found at: PCA_Refresh_Interim_Memo.pdf

REGIONAL BOND MEASURE FOR HOUSING: This housing bond measure has been under discussion at ABAG and BAHFA for the past year. Recently, the Bay Area labor groups have requested the Regional Expenditure Plan which is the basis for the bond measure include labor standards.

Some labor stakeholders have requested that BAHFA impose labor standards on 100% of bond funds, **including the 80% that will be administered directly by counties and direct-allocation cities**. However, the Act does not grant BAHFA legal authority to impose any labor standards on direct recipients. Labor stakeholders with whom staff have been meeting over the past month have not disputed this. State law could be amended to authorize BAHFA to impose labor standards on direct recipients. From a timing standpoint, it's important to note that such a change could be made after the Boards have taken their actions to approve

Table 1: Landscape of Potential Labor Standards

Standard	Brief Description
Baseline (CA Labor Code)	**Prevailing wage with exceptions**
AB 2011 (Wicks, 2022)	1. Enforceable prevailing wage requirement (no exceptions) 2. For 50+ units, requires health care payments 3. For 50+ units, requires approved apprenticeship participation
SB 423 (Wiener, 2023)	• AB 2011 plus "skilled and trained" for projects over 85 feet • 100% affordable projects are exempt
"Skilled and Trained"	• Generally requires workers in apprenticeable occupations to be either skilled journeypersons or apprentices registered in an apprenticeship program approved by the chief of the Division of Apprenticeship Standards
Project Labor Agreements (PLAs)	• Could take many forms; likely scenario is BAHFA requires borrowers to sign PLAs with Building Trades Councils where project is located. • Set labor terms, e.g., wages, health care & pensions, contractor eligibility, dispute resolution, and worksite conditions.

placing a bond measure on the ballot, or even after voter approval of a bond. Some labor stakeholders have expressed an interest in pursuing legislation this year to allow BAHFA to impose labor standards. Below are some of the issues we have been discussing. A decision will need to be made in April/May in order to get this bond measure on the ballot for November 2024.

Staff is not aware of any State bill in print related to BAHFA labor standards. Notably, even if state law were amended, federal law would prohibit BAHFA from requiring direct recipients to impose project labor agreements (PLAs) through regulation. Amendments to the Act would not override this prohibition given it is in federal law. Staff will be providing us with an update on any legislative efforts to modify the Act as it relates to allowing BAHFA to adopt labor standards applicable to the 80%.

Addressing California's housing shortage, housing unaffordability and homelessness has been a top state and local legislative priority since at least 2016. This policymaking has included determination of appropriate labor standards to attach to housing legislation. Table 1 summarizes the relevant approaches that have been at the center of legislative debates. It is provided here not with the intent of making recommendations, but for the purpose of establishing a common vocabulary and understanding of the key terms in the negotiations. Staff will continue to work with organized labor and affordable housing partners on proposed labor standards and will return to the Joint Housing Committees in April with recommended standards for inclusion in BAHFA's Regional Expenditure Plan.

APPROVAL OF BAY AREA HOUSING FINANCE AUTHORITY (BAHFA) BUSINESS PLAN: ABAG and BAHFA adopted the Final BAHFA Business Plan which will be the basis for the proposed 2024 ballot measure. This business plan outlines the equity framework, funding programs (provided the $10B or $20B bond measure passes in November 2024) and operations and organization sustainability plan. The entire business plan can be downloaded by clicking: BAHFA_Business_Plan_2024.pdf (ca.gov).

The bond would be funded through property taxes. The amount an individual household may expect to pay will vary depending on the assessed value of their property. BAHFA $10 to $20 billion bond would require an estimated tax of $12 to $24 per $100,000 in assessed value — or about $120 to $240 per year for a $1,000,000 home. For more information about this measure, please refer to the ABAG report dated January 2024.

ABAG and BAHFA have been discussing whether the bond would be $10B or $20B. Also, there has been recent discussion about the number of bond measures that might be on the November 2024 ballot. ABAG and BAHFA will be making a decision in June on whether to go forward with this Housing Bond in 2024.

REGIONAL HOUSING NEEDS ALLOCATION: As reported by BAHFA, the significant lack of homes affordable to all Bay Area residents fuels a web of social challenges:

- Approximately 37,000 residents are unhoused.
- The region has the highest unsheltered rate of unhoused people in the U.S. (over 70%)
- 1.4 million renters pay more than half their income on rent, with one-quarter paying more than 50% of their income on rent ("severely rent-burdened")
- High rents and home prices cause many residents to live far from work, making congestion and pollution much worse, and putting a major strain on working families.
- Too many Bay Area residents live in overcrowded and unsafe housing.
- Vital employees and community members are leaving the area.

Recently compiled data for the 5th Cycle of the Regional Housing Needs Allocation (RHNA) process (2015-2023) quantifies the progress the region has been making towards achieving our affordable housing targets. The 2015-2023 dataset contains highly detailed reporting from local governments via their Annual Progress Reports ("APRs"), enhanced by verification efforts by staff, on the number of new homes (units) permitted by income category. The complete dataset from the eight-year RHNA cycle underscores that while market-rate housing is being developed at rates double the state's targets the number of homes under development that are affordable to lower- and moderate-income residents is well below the targets, as summarized below. The reasons for this are complex, but the high cost of housing and the lack of sufficient subsidy for the construction of affordable housing are major factors. Providing a robust source of funding to accelerate the construction (and preservation) of new affordable units is a fundamental aim of the Bay Area affordable housing bond.

Bay Area RHNA Cycle 5 (2015-2023) Performance

Income Targets	2015-2023 RHNA Cycle 5	2015-2023 Units Permitted	% RHNA Permitted
Very Low-Income (0-50% of AMI)	46,680	18,751	40%
Low-Income (50-80% of AMI)	28,940	16,025	55%
Moderate-Income (80-120% of AMI)	33,420	20,071	60%
Above Moderate-Income (above 120% of AMI)	78,950	163,018	203%
Total:	187,990	217,865	116%

The Bay Area's state-mandated housing targets for the 6th RHNA Cycle (2023-2031) more than doubled the region's housing goals relative to the 5th RHNA Cycle, presenting an unprecedented challenge. Even if the region maintained the historical trend of over-producing market rate ("above moderate-income") homes, it would still fall short of permitting the total new units required in the 6th Cycle. Bay Area residents' needs for lower- and moderate-income housing, as compared to 5th Cycle targets and regional performance, are particularly stark, as summarized below:

Bay Area RNHA Cycle 6 (2023-2031) Targets Compared to Cycle 5

Income Targets	2015-2023 RHNA Cycle 5	2015-2023 Units Permited	2023 – 2031 RHNA Cycle 6
Very Low-Income	46,680	18,751	114,442
Low-Income	28,940	16,025	65,892
Moderate-Income	33,420	20,071	72,712
Above Moderate-Income	78,950	163,018	188,130
Total:	187,990	217,865	441,176

As everyone knows, the need for affordable housing is increasing, but so too is the cost of constructing it. Many affordable housing projects in the Bay Area now cost roughly $1 million per unit. For the regional housing bond to have the greatest impact in terms of the number of homes built, we must find creative solutions to bring down costs. To better understand the cost landscape, staff has evaluated all some Bay Area

projects to differentiate costs which include: (1) location (which is a proxy for a variety of market conditions rather than simply the cost of land), and (2) whether the project received subsidy from a local government. The following table summarizes the findings, revealing the significantly higher per unit cost for projects that receive local public funds than those that don't in every county.

Bay Area Total Development Costs for TCAC/CDLAC Applications, 2021-2023

County	# of Projects with Local Funds	# of Projects without Local Funds	Avg. Cost Per Unit *with Local Funds*	Avg. Cost Per Unit *Without Local Funds*	% Cost Increase with Local Funds
Alameda	11	4	$903,684	$491,500	84%
Contra Costa	3	4	$772,417	$513,140	51%
Marin	0	1	n/a	$767,873	n/a
Napa	0	0	n/a	n/a	n/a
San Francisco	10	1	$939,826	$734,585	28%
San Mateo	4	2	$972,512	$448,642	117%
Santa Clara	23	14	$782,945	$636,918	23%
Solano	1	4	$687,334	$355,303	93%
Sonoma	3	5	$568,732	$476,369	19%
Total:	**55**	**35**	**$835,406**	**$546,806**	**53%**

ABAG MEMBERSHIP: I want to welcome back the Town of Corte Madera to ABAG. In June 2013, ABAG received a resolution adopted by the Town Council stating its intention to withdraw from membership in the Association of Bay Area Governments effective July 1, 2013. On March 5, 2024, the Council of the Town of Corte Madera adopted a resolution to renew its membership to the Association of Bay Area Governments and to authorize its staff to pay the required annual membership fee.