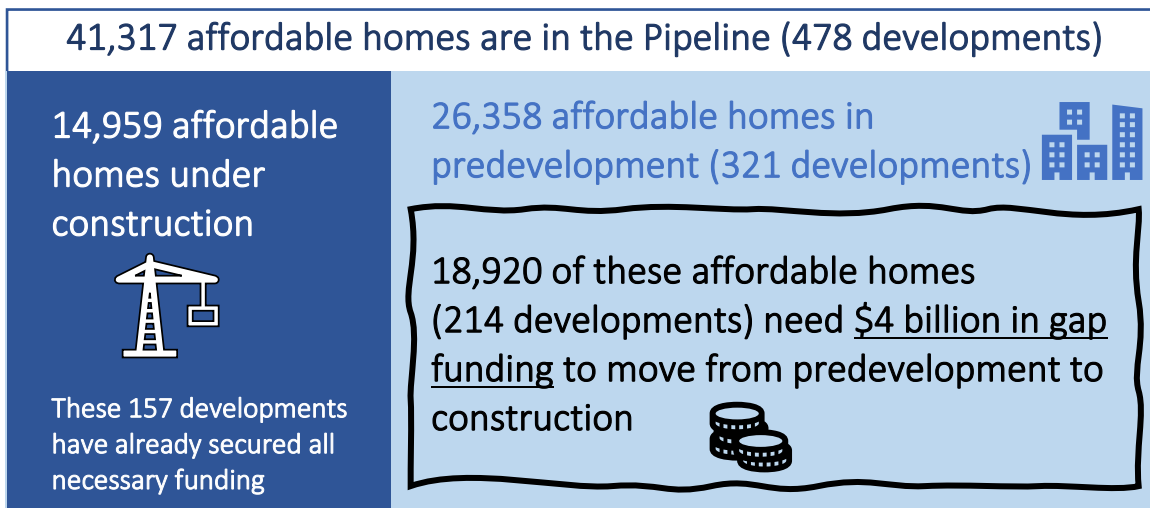


Bay Area Affordable Housing Pipeline: Impact of Unlocking Affordable Homes in the Region

Enterprise Community Partners, June 2021

The Bay Area has one of the most robust affordable housing sectors in the country that includes non-profit housing developers, community development corporations, community land trusts, public housing authorities, and other public sector and lender partners. Together, they produce and preserve thousands of affordable homes a year to help meet the growing needs of Bay Area residents. In partnership with these stakeholders, Enterprise Community Partners (Enterprise) created a first-of-its-kind database – the Bay Area Affordable Housing Pipeline (Pipeline), **an inventory of the affordable housing developments across the 9-county Bay Area that are either in predevelopment or under construction.**¹

The Pipeline is critical to understanding whether and where the Bay Area is on track to produce and preserve affordable housing to meet the region’s needs. The Pipeline also identifies the additional resources needed deliver and expand the supply of affordable housing.



Unlocking the predevelopment affordable housing developments in the Pipeline will bring significant benefits to the region, if resources are made available, including:

- **26,358 affordable homes**, which is a critical first step to building the 180,334 new affordable homes required by the Regional Housing Needs Allocation (RHNA) by 2031;
- Serve **289,938 low-income households** over the lifetime of the housing developments;²
- Annually, create **17,200 jobs**; generate **\$1.35 billion in total income** and **\$394 million in state and local taxes**, annually;³
- **Save \$913 million in the first year by avoiding cost escalation**, which compounds by an average of 5 percent for each year of delay while awaiting full funding;
Save \$42 million per year by avoiding holding costs such as interest, security, and insurance while awaiting full funding.

¹ The Pipeline database includes the number of affordable housing developments, the number of homes, stage of development, and housing type (new construction, acquisition and rehab of unsubsidized affordable housing, and subsidized homes at risk of losing their affordability restrictions, also known as “expiring use”). It estimates the gap funding needed to move these developments from predevelopment to construction. See tables and methodology on page 3 for more information.

² Estimates of households served uses a conservative 5-year length of stay assuming most projects will be financed by LIHTC with a 55 year affordability term. A 2006 survey conducted by the AARP Public Policy Institute found that non-senior households stay in LIHTC-financed affordable housing for an average of 4.4 years, while senior households stayed for 6.3 years. A 2017 analysis by HUD’s Office of Policy Development and Research found that the median length of stay for all programs captured in the study is 2.9 years.

³ Estimates employ the National Association of Home Builders economic benefits model, assuming a 55-year affordability term and including one-time construction impacts and ongoing annual impacts.

Figure 1. Bay Area Affordable Housing Pipeline by County



The Pipeline is a critical tool in determining how the region is meeting its affordable housing needs, but it can also facilitate systems change for a more effective and efficient affordable housing finance and development system. For example, the Pipeline could be used to create a regional queue for tax credits and bonds. With a managed pipeline, developers know when to apply for local and state funding, often eliminating the need for multiple application rounds which can lower the overall project costs. A managed pipeline increases predictability and helps prioritize local, regional, and state funding. It can identify opportunities and barriers for affordable housing development accounting for geography, type of housing (senior, extremely low-income, multifamily, and so forth), and overall policy considerations like furthering fair housing and advancing climate goals. The Pipeline also can inform funding decisions and build support for new revenue opportunities at the regional, state, and federal levels helping break ground on a transformative regional housing approach.

Financing Affordable Housing & The Role of Gap Funding

Producing and preserving affordable homes takes many years and involves a complex process of assembling funding before construction can begin.

Because many funding sources require developers to secure other funding first and funding is often competitive, developers must content with a long, multi-step process and the uncertainty of piecing together all necessary funding – even after they have secured the land.

An affordable housing development generally requires a **commercial mortgage** from a bank, **affordable housing tax credits and bonds**, and various sources of **soft debt** – also known as **gap funding**. This funding fills the “gap” between the cost of the development and the financing secured from a mortgage and tax credits and bonds – this gap is typically about 40 percent of the total development cost.

Gap funding can come from local, regional, and state programs. It is a **critical step to getting projects launched and on track to become available to residents in need.**



Table 1. Housing Need and the Bay Area Affordable Housing Pipeline by County⁴

County	Regional Housing Needs Allocation 2023-2031 ⁵	Total Affordable Homes in Pipeline	Affordable Homes in Construction	Affordable Homes in Predevelopment			
				Affordable Homes in Predevelopment	Affordable Homes in Predevelopment, Entitled	Affordable Homes in Predevelopment, Need Gap Funding	Total Gap Funding Needed
Alameda	37,197	9,074	3,479	5,595	3,251	3,739	\$714,359,075
Contra Costa	21,031	2,968	1,876	1,092	284	881	\$216,518,725
Marin	6,571	607	126	481	234	195	\$38,632,982
Napa	1,796	826	374	452	433	151	\$21,553,414
San Francisco	32,881	10,325	3,166	7,159	2,068	5,544	\$1,569,827,807
San Mateo	19,219	3,142	836	2,306	1,498	1,970	\$318,780,056
Santa Clara	50,923	9,169	3,523	5,646	1,358	4,021	\$694,511,615
Solano	4,415	1,476	642	834	214	546	\$104,189,644
Sonoma	6,301	3,730	937	2,793	837	1,873	\$338,991,253
Regional Total	180,334	41,317	14,959	26,358	10,177	18,920	\$4,017,364,570

Table 2. Bay Area Affordable Housing Pipeline by Housing Type and County

County	Affordable Housing Developments in Predevelopment	Affordable Homes in Predevelopment	Affordable Homes in Predevelopment			
			New Construction	Preservation (Acquisition-Rehab)	Preservation (Expiring Use)	Unknown
Alameda	73	5,595	4,379	301	847	68
Contra Costa	14	1,092	635	307	150	0
Marin	15	481	293	169	1	18
Napa	7	452	452	0	0	0
San Francisco	90	7,159	5,026	0	2,133	0
San Mateo	25	2,306	2,004	0	140	162
Santa Clara	49	5,646	4,274	439	632	301
Solano	10	834	274	0	323	237
Sonoma	38	2,793	2,345	33	415	0
Regional Total	321	26,358	19,682	1,249	4,641	786

⁴ **Methodology:** Pipeline sources include California Tax Credit Allocation Committee (project applications and awarded projects), other state housing program applications, and information provided by various city and county housing development departments, affordable housing developers, and other housing finance partners. Enterprise estimates that 80 percent of the Bay Area affordable housing developments are accounted for in the pipeline. This is a point-in-time snapshot of the pipeline in August 2020, and the number of units and developments may have changed based on availability of funding and other factors.

⁵ Draft Regional Housing Needs Allocation Plan: San Francisco Bay Area, 2023-2031, ABAG, May 2021, https://abag.ca.gov/sites/default/files/documents/2021-05/ABAG_2023-2031_Draft_RHNA_Plan.pdf