

Regional Measure 4 (RM4): The Most Expensive Housing Bond in U.S. History

Lessons from RM4, and Implications for the Near Future

Presented to:

San Mateo United Homeowners Association (SMUHA)

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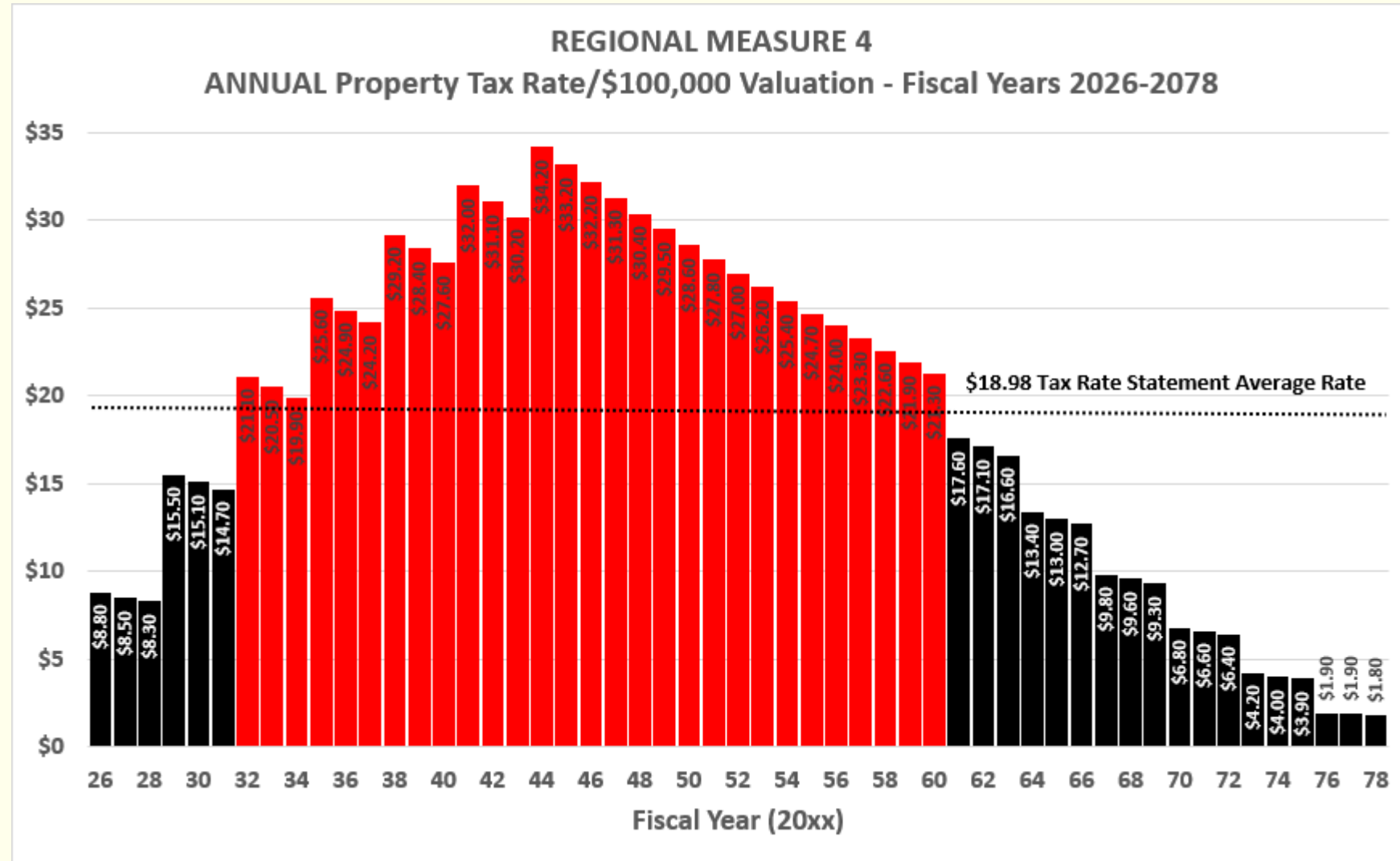
SMUHA

RM4: The Basic Facts

- ▶ The largest housing bond in U.S. History: **\$20 Billion**
- ▶ Really, a series of 7 bonds because they have to spend the money within 3 years of receipt.
- ▶ 53 year schedule of added taxes totaling **\$48.3 Billion**
- ▶ 80% of proceeds returned to Counties and designated cities
- ▶ 20% retained by unelected, regional bureaucracy: BAHFA
- ▶ BAHFA is same staff in the same building as MTC
- ▶ General allocation guidelines to various housing objectives, but no binding performance metrics (*or track record*)
- ▶ Meaningless “oversight” of unproven bureaucracy

RM4: Tax Rate By Year

- ▶ Tax rates will vary by year as each additional bond series is issued, and repaid, and as property assessed values increase.
- ▶ The long term average of \$18.98 per \$100k is dependent on interest rates and property valuations.



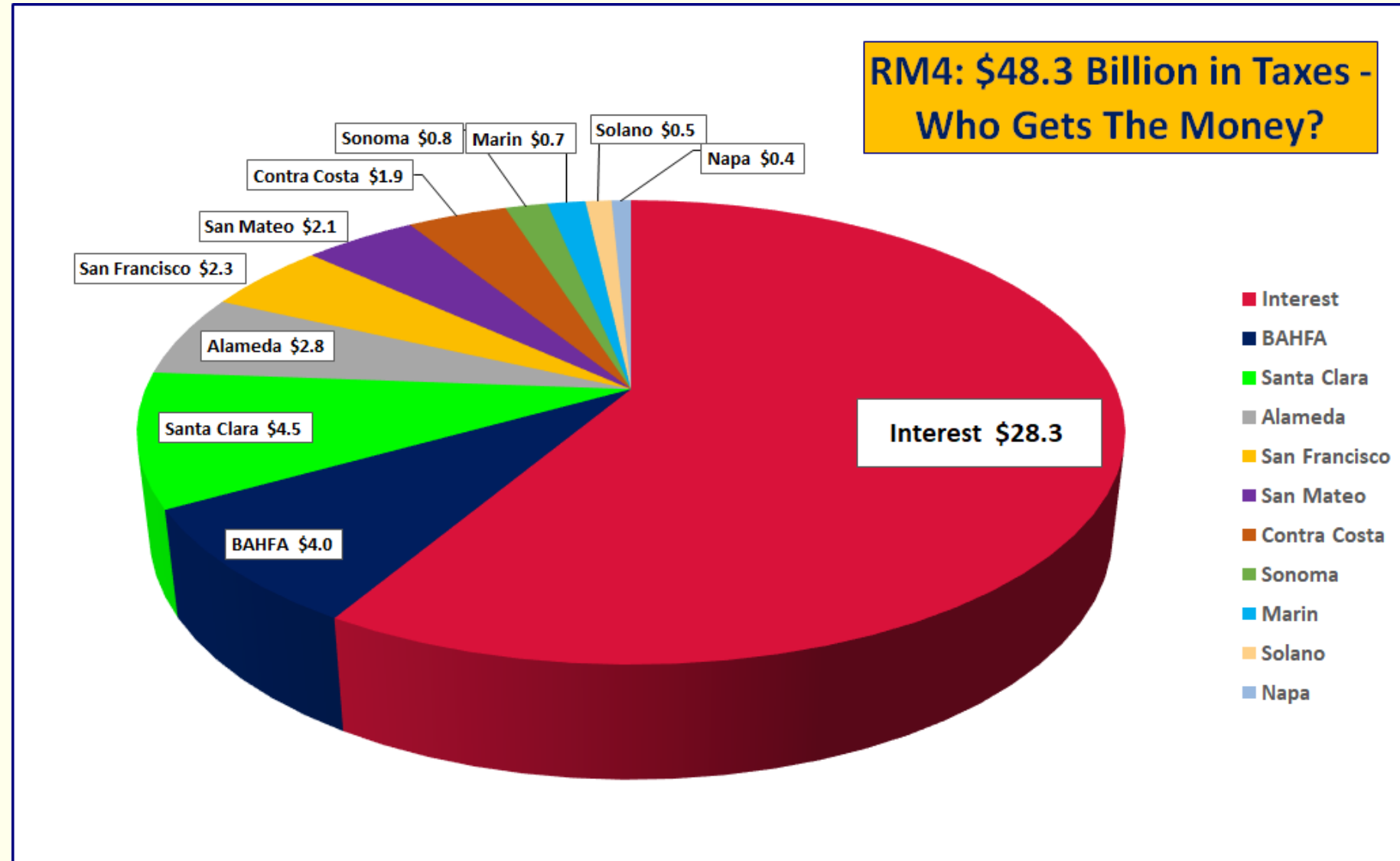
RM4: 53 Year Tax Burden

- ▶ Taxes are based on the assessed value of your property.
- ▶ The tax rates are the same for all counties, regardless of need or proceeds received.
- ▶ Over the 53 year life of the Bond's 7 Series, the cumulative tax burden for your property is shown in table at right.

Tax Burden of BAHFA Housing Bonds (RM4) On properties with current year assessments of ...	
Assessed Value	BAHFA RM4 Tax
\$500,000	\$ 10,502
\$1 Million	\$ 21,005
\$1.5 Million	\$ 31,507
\$2 Million	\$ 42,009
\$2.5 Million	\$ 52,512
\$3.0 Million	\$ 63,014

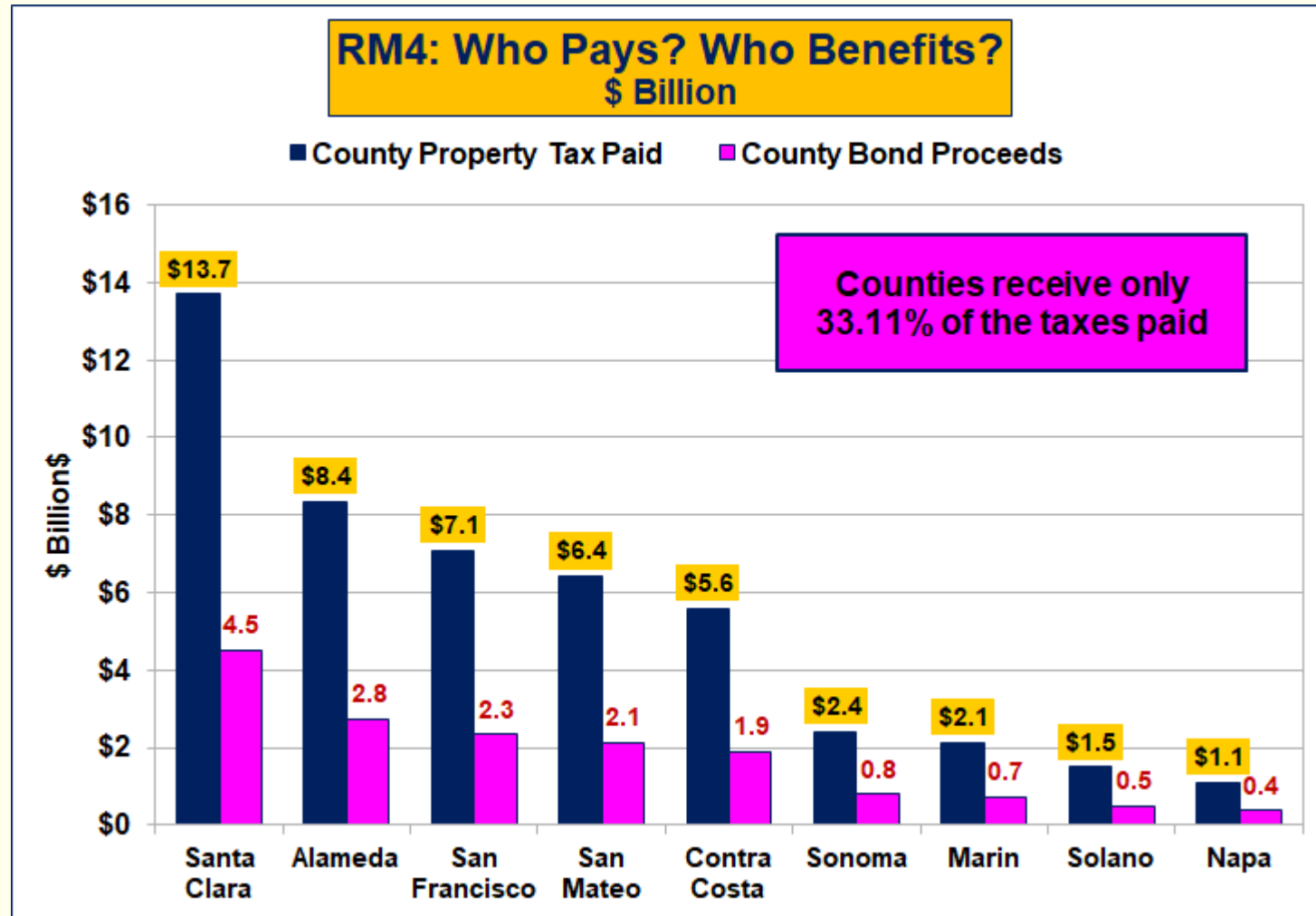
RM4: Most Tax Money Is Wasted

- ▶ Interest is **58.6%** of taxes paid.
- ▶ BAFHA 'slush fund' of overhead & discretionary spending is **8.3%** of taxes
- ▶ \$200M in bond issuance fees are hidden



Counties Get Far Less Than Taxes Paid

- ▶ Counties get less than one-third of taxes paid – **33.11%**
- ▶ Each county could pass its own tax and get the **same money at 1/3rd the tax burden**, and/or...
- ▶ Get more money and direct \$\$ to their own priorities (*e.g. climate change, schools, sewers*)



RM4: Unfair In Several Ways

- ▶ There are no exemptions for seniors, the disabled, or low income families

“I’m retired. I’ll be subsidizing people who make more than me.” – Senior Citizen

- ▶ **New home buyers** will pay disproportionately more...
 - Due to Prop. 13 constraint on taxes and reassessments
- ▶ Widens Wealth Inequality:
 - Enriches wealthy investors while taxing the middle class and sentencing lower incomes to rent servitude
- ▶ Ballot language inaccurate and prejudicial
 - E.G. understated the costs by 36%!
 - Also errors in Oakland, [Ballotpedia](#), etc. etc..
- ▶ Disenfranchises Counties and Voters
 - RM4 overrides County decisions, such as the vote for this bond.
- ▶ A Regressive Tax affecting renters and owners alike.

“I didn’t cause the Housing Crisis, so why am I being taxed to pay for it?”

- Local voter

What to Watch Out For...

- ▶ Unelected, regional agencies with supra-County authority
- ▶ Bonds, with the added 75% costs
- ▶ Lack of REAL Bond Oversight
- ▶ Non-specified plans
- ▶ Non-specified accountability... and remediation
- ▶ Biased ballot measure language
- ▶ ... *[your thoughts here]* ...

MTC Is Proven Incompetent

- ▶ Never completed a housing project in their existence
- ▶ Can't get the ballot language right, or do basic math
 - Until sued, understated the annual costs by **36%!**
- ▶ Transportation cost overruns and failures
 - BART to San Jose (Phase II – Extension): **266%** cost + 10 year revenue delay
 - Bay Bridge East Span: \$250M to \$6.5B – **2,600%** cost
 - Oakland Airport Connector: **372%** cost
 - Warm Springs extension: **258%** cost
- ▶ Transit costs more than doubled while ridership down 40%

Bonds Are Worse Than Taxes....

- ▶ Bonds ARE Taxes...
- ▶ ... but typically cost 75% more
 - Due to interest, consultants, and issuance costs
 - Except RM4, which was 141% added cost.
- ▶ Come with restrictive covenants and administrative complexity
- ▶ Can bypass voter approvals, or reduce thresholds
- ▶ Unknown costs until interest rate finalized
- ▶ Inter-generational injustice
- ▶ Obligated payments limit future flexibility
- ▶ Make sense when improved economic productivity results from the use of bond proceeds

Bond “Oversight” is a Sham/Farce

- ▶ Unelected BAHFA appointing their own ‘oversight’...
- ▶ ... and making them wait a year to find out what happened
- ▶ Violates Basic Principles of Citizens Bond Oversight
 - **Independent:** staff, budget, by-laws
 - **Proactive:** review of plans, spending
 - **Audit Scope:** BAHFA organization, policies, systems, results
- ▶ BAHFA was cautioned of this shortcoming before they finalized the Ballot Measure...
- ▶ ... and they chose to ignore the valid concerns

RM4 Deserved To Fail

- ▶ Unaffordable
- ▶ Wasteful
- ▶ Unfair
- ▶ Unproven
- ▶ Uncontrolled
- ▶ *Unresolved*: the utility of MTC & other regional, unelected bureaucracies, including ABAG.
- ▶ *Return to*: Community Choice and Self-Determination

What's Up Next?

- ▶ **Prop. 5** – reduce voter approval threshold from 66.7 to 55%
- ▶ A **Tsunami** of bond measures for schools and infrastructure
 - No? school bonds in Mass.... *What should we learn?*
 - The Iceberg of Public Works Deficits
 - 2026 MTC Bond, and more 'affordable housing' bonds
 - Revision or repeal of RHNA (state housing laws)
- ▶ Re-purposing 20 Billion Reasons...
 - Regional focus
 - Responsible financial management
 - Guardrails and Accountability laws
 - Fiscal Sustainability requirements
 - *Your ideas here...*

Iceberg Of Public Works Deficits

- ▶ Aged Infrastructure, everywhere
- ▶ Inadequate financial management
 - 40 yr old assets now cost 4x to replenish
- ▶ SFPUC \$6.7B reserve deficit
 - 20% rate increase, worse to come
- ▶ HMB & Pacifica ~\$100M reserve deficit. Billions in SMC alone.
- ▶ Third greatest inter-generational injustice



**“The Ultimate Test of a moral society is
the kind of world that it leaves to its
children.”**

- *Dietrich Bonhoeffer*

Thank You!

For your time and attention.

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<https://20billionreasons.com>

20BillionReasons.com

Resources and News on RM4



**\$42,000
TAX BILL**

VOTE NO ON THE **RM4 HOUSING TAX**

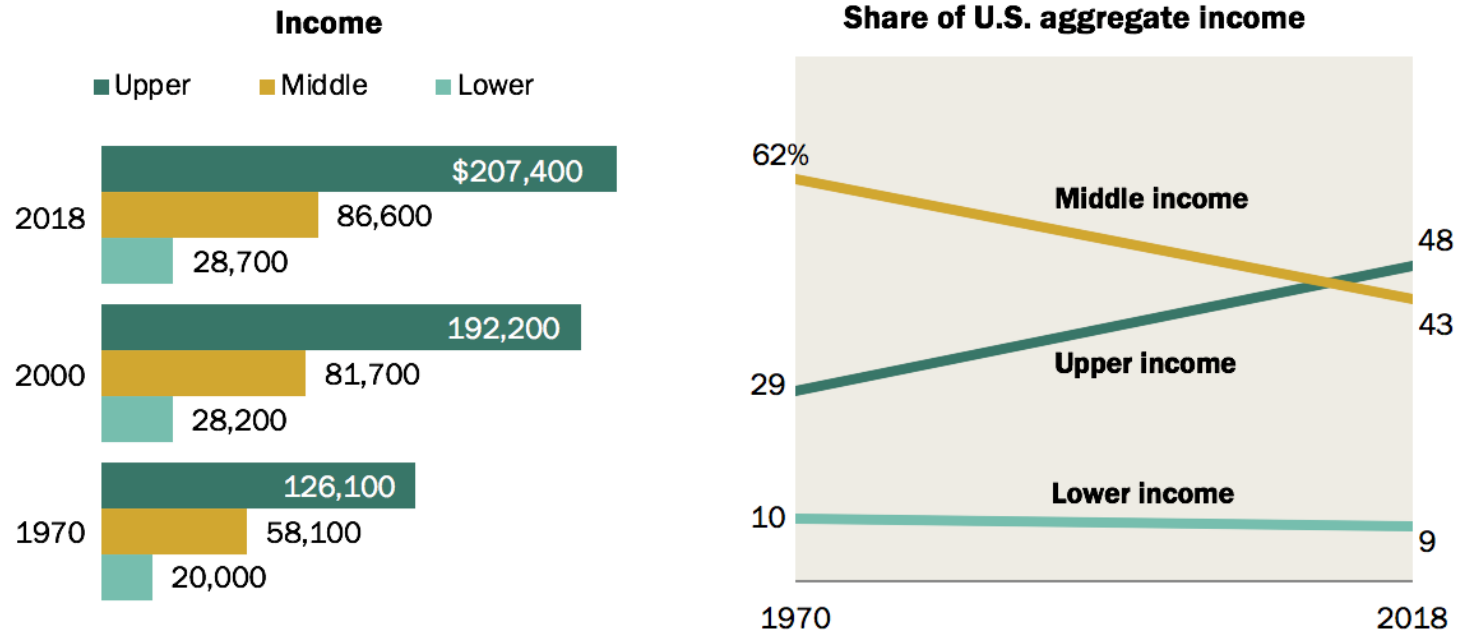
UNAFFORDABLE	WASTEFUL
\$42,000 in extra taxes for a new median-priced home	\$48.3 billion in new taxes over 53 years

Housing Crisis: The Real Problem

- ▶ It looks like **Affordability**, but...
- ▶ It's really **Inequality**... in wages and wealth.
- ▶ Current affordable housing policies make things **WORSE**.

The gaps in income between upper-income and middle- and lower-income households are rising, and the share held by middle-income households is falling

Median household income, in 2018 dollars, and share of U.S. aggregate household income, by income tier



Note: Households are assigned to income tiers based on their size-adjusted income. Incomes are scaled to reflect a three-person household. Revisions to the Current Population Survey affect the comparison of income data from 2014 onwards. See Methodology for details. Source: Pew Research Center analysis of the Current Population Survey, Annual Social and Economic Supplements (IPUMS). "Most Americans Say There Is Too Much Economic Inequality in the U.S., but Fewer Than Half Call It a Top Priority"

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