

County of Santa Clara  
Office of the County Executive  
Office of Supportive Housing



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**DATE:** February 7, 2017

**TO:** Board of Supervisors

**FROM:** Ky Le, Director, Office of Supportive Housing

**SUBJECT:** Measure A Affordable Housing Bond Implementation Initial Report

**RECOMMENDED ACTION**

Under advisement from November 15, 2016 (Item No. 16 and Item No. 17): Consider recommendations relating to the implementation of the 2016 Measure A Affordable Housing Bond.

Possible action:

- a. Receive report from Office of Supportive Housing relating to implementation of the Measure A Affordable Housing Bond.
- b. Adopt Resolution declaring official intent to reimburse certain expenditures from Measure A Housing Bond proceeds. (Roll Call Vote)

**FISCAL IMPLICATIONS**

There are no fiscal implications associated with the recommended actions. However the attached report describes the resources the County would need to implement the Measure A Affordable Housing Bond (Housing Bond). If the County were to proceed with the additional resources described in the report, the total annual cost would be approximately \$3,500,000. The Administration is working under the assumption that only a small portion of these costs could be funded by the Housing Bond. The County could only use the Housing Bond funds to: 1) pay for costs directly associated with acquiring or improving real property (with Housing Bond funds); and, 2) pay for costs associated with administering the Housing Bond as specified in the ballot measure (i.e., costs to staff the Oversight Committee or to prepare independent audits). With additional guidance from the Board, the Administration would incorporate the resource requests into the FY 2017-18 budget process or come forward with separate recommendations.

## **REASONS FOR RECOMMENDATION**

This attached report is the first full report on the implementation of the Housing Bond, including recommended goals, programs, implementation timeline and resource needs. In April or May, the Administration will provide a second report that incorporates Board direction and input from the public, including cities, the Housing Authority, supportive housing developers and service providers.

Currently, the Administration prefers issuing taxable bonds because of the additional flexibility in how and when to spend bond proceeds. In the event that the County issues tax-exempt bonds, adopting the resolution would enable the County to build a pipeline of affordable housing projects using Housing Bond funds as soon as possible. The first general obligation bonds will not be issued until approximately September 2017, and proceeds from the first issuance will be available to the County about a week after the bond issuance. By adopting the attached resolution, the County would be able to commit proceeds from tax-exempt bonds for the development of affordable housing projects before the first bond issuance. In addition, the County could use General Fund (or other County) dollars to fund the development of affordable housing projects before the first bond issuance, then use proceeds from the first bond issuance to repay the County's General Fund.

If the resolution is adopted – and based on the Board's input on Housing Bond programs – the Administration would prepare additional recommendations for the Board's consideration in the upcoming months. These recommendations may include:

- A request to increase FY 2016-17 appropriations in the OSH budget to fund supportive housing projects and/or predevelopment activities (e.g., loans to developers to acquire real property);
- Appropriation requests and other actions to facilitate the County's acquisition of real property to be used as affordable and supportive housing; and,
- A request to approve implementation of programs to assist first-time homebuyers.

## **CHILD IMPACT**

The recommended action will increase affordable housing, supportive housing, and homeownership options for families with children and youth who are earning less than 120% of area median income (AMI). The Housing Bond will be especially impactful for families with special needs and families who are 30% or less of AMI.

## **SENIOR IMPACT**

The recommended action will increase affordable and supportive housing options for seniors who are earning less than 120% of area median income (AMI). The Housing Bond will be especially impactful for seniors with special needs and seniors who are earning 30% or less of AMI.

## **SUSTAINABILITY IMPLICATIONS**

The recommended action will have no/neutral sustainability implications.

## **BACKGROUND**

On June 21, 2016, the Board of Supervisors unanimously approved placing an affordable housing bond on the November 2016 ballot. The Board considered the work of the Housing Task Force and other data before voting on a resolution to place the housing bond measure on the November 2016 ballot. The housing bond was placed on the November 2016 ballot as Measure A. California law allows the County to issue general obligation bonds with the approval of two-thirds of the votes cast by County voters. The attached “Measure A Santa Clara County Housing Bond Frequently Asked Questions (FAQs)” provides more information about the Housing Bond, including the County’s goals and funding priorities. The FAQ was posted to the County’s website in October 2016.

Santa Clara County voters approved Measure A. The Housing Bond provides the County with an unprecedented opportunity to partner with cities, residents and the affordable and supportive housing community to significantly address the housing needs of the community’s poorest and most vulnerable residents. Housing special needs populations is a County priority; therefore, the County takes an active role in developing, financing and supporting various types of affordable housing for the populations served. The County’s strategic goals are to:

- Increase the scope and breadth of supportive housing for special needs populations, including homeless and chronically homeless persons;
- Increase the supply of housing that is affordable to extremely low income (ELI) households; and,
- Improve coordination and collaboration among the County, cities, other governmental agencies, and the affordable housing community.

## **CONSEQUENCES OF NEGATIVE ACTION**

Until the Board of Supervisors approves the resolution, any funds the County uses or commits to using to develop affordable and supportive housing cannot be repaid with proceeds from the first issuance of bonds if the bonds are issued as tax-exempt bonds.

## **STEPS FOLLOWING APPROVAL**

Please fully execute the resolution and email a copy or notification to Ky Le (Ky.Le@hhs.sccgov.org), Consuelo Hernandez (Conseulo.Hernandez@hhs.sccgov.org), and Christopher Cheleden (Christoper.Cheleden@cco.sccgov.org).

**ATTACHMENTS:**

- Housing Bond Report #1 (PDF)
- Resolution Declaring Official Intent to Reimburse Certain Expenditures from Measure A Housing Bond Proceeds (PDF)

**Measure A - Affordable Housing Bond**  
**Report #1 - February 7, 2017**

**A. SUMMARY**

The Measure A – Affordable Housing Bond (Housing Bond) will advance communitywide housing priorities, including enhancing a supportive housing system to more effectively prevent and reduce homelessness throughout Santa Clara County. Implementing the Housing Bond is an opportunity to scale the production of supportive housing and to strengthen lasting partnerships between the County, cities, the Housing Authority and other stakeholders.

In order to facilitate the development of affordable and supportive housing, the County may from time to time acquire and improve real property. However, as with the County’s other housing funds, most of the Housing Bond proceeds shall be conveyed to developers and lower income homebuyers in the form of low interest deferred payment loans. These loans in turn help to finance the acquisition, development or rehabilitation of rental housing or for-sale housing.

This report outlines an approach to advancing the County’s housing priorities through implementation of the Housing Bond.

1. Increase staffing and budget for consultants to further enable the Office of Supportive Housing (OSH) to:
  - a. Coordinate the County’s, cities’, and Housing Authority’s housing development strategies in order to meet shared housing goals, including meeting the objectives of the Community Plan to End Homelessness (Community Plan) and housing strategies with the fifteen cities and the Housing Authority;
  - b. Implement ongoing processes to establish a pipeline of affordable and supportive housing projects to meet agreed-upon housing production targets;
  - c. Organize the funding and delivery of requisite services for supportive housing units and programs;
  - d. Lead or support efforts that increase public and private affordable housing funds, that increase access to land for housing development and that reduce the time and costs associated with housing development; and,

- e. Support a sustained countywide campaign to build local support for siting of affordable and supportive housing projects.
2. Increase staffing and budget in the Finance Agency and the Office of the County Counsel to manage bond funds, support transactions related to financing housing development and support the Housing Bond citizen's oversight committee.
3. Prepare to issue the first series of general obligation bonds in September 2017 while continuing to determine the total amount and program allocations. The OSH is currently working with cities and developers to determine the current pipeline of affordable and supportive housing projects.
4. Homeownership:
  - a. Implement a Down Payment Assistance Loan program to assist first time homebuyers earning up to 120% of area median income (AMI).
  - b. By the end of the fiscal year, provide the Board with recommendations on ways to increase the production of below market rate for-sale homes.
5. Multifamily Rental Housing:
  - a. Implement a process by which the County could use any of its funds and/or real property to support the development of affordable and supportive housing.
  - b. Implement a predevelopment program that enables developers, the County or other government agencies to acquire properties that will be used for affordable and supportive housing.
  - c. To the greatest extent possible, coordinate processes with the cities and the Housing Authority using lessons learned from the recent joint notice of funding availability (NOFA) from the County, the City of San Jose and the Housing Authority.
  - d. Adopt a resolution enabling the County to commit Housing Bond proceeds to housing programs or projects prior to the formal issuance of general obligation bonds in September 2017. For example, this would enable the County to fund the predevelopment program as soon as program guidelines were in place.

- e. By the end of the fiscal year, provide the Board with recommendations on ways to increase the production of rental housing affordable to households earning between 60% and 120% of AMI.

## **B. POLICY ALIGNMENT**

In November 2016, Santa Clara County residents approved the Housing Bond, a \$950 million general obligation bond that will create new affordable rental and homeowner housing opportunities. The Housing Bond is part of an ongoing effort to: 1) increase affordable housing opportunities for our community's most vulnerable and poorest residents; and, 2) to prevent and reduce homelessness throughout Santa Clara County. The Housing Bond builds on key policy shifts and communitywide partnerships that occurred over the last five years. This and subsequent reports focus on implementation of the Housing Bond, but the recommendations also set a framework for achieving previously established goals, including the goals of the Community Plan.

As noted above, the Housing Bond is part of an ongoing effort to increase new affordable rental and homeowner housing opportunities. According to the Association of Bay Area Governments (ABAG), Santa Clara County's 15 cities and the County must produce 8,083 new housing units that are affordable to extremely low income (ELI) households between 2014 and 2022 just to keep up with projected population growth (see Table 1). The Regional Housing Need Allocation (RHNA) targets are incorporated into the Housing Elements of the County's and each cities' General Plans. While RHNA targets do not capture existing shortfalls and may understate the number of ELI units needed in relation to very low income (VLI) units, RHNA figures are widely accepted as indicators of each community's housing needs and, ideally, their housing production goals.

For the 2007 – 2014 period Santa Clara County exceeded housing production targets for incomes earning over 120% of AMI. However, Santa Clara County produced less than a third of the RHNA targets for every other income category.<sup>1</sup> In light of this shortfall and in anticipation of the growing need for new affordable housing, the Housing Bond was endorsed by every city in Santa Clara County because it will help cities meet some of their own affordable housing production goals. Any units produced using Housing Bond funds could count towards the relevant city's RHNA targets.

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<sup>1</sup> Half of the Very Low allocation is presumed to be needed for ELI households, pursuant to Govt. Code 65583(a)(1). Not all jurisdictions explicitly set aside units for ELI; this table has been adjusted to show half of the VLI allocation under the ELI category.

**Table 1 – ABAG Regional Housing Needs Allocation, Santa Clara County 2014 – 2022**

	Income Levels as Percentage of Area Median Income (AMI)					
	Extremely	Very	Low	Moderate	Above	Total Units Needed
	Low Income	Low Income	Income	Income	Moderate	
	(ELI)	(VLI)	(LI)	(MI)	Income	
0 - 30%	31 - 50%	51 - 80%	81 - 120%	121%+		
Campbell	127	126	138	151	391	933
Cupertino	178	178	207	231	270	1064
Gilroy	118	118	160	217	475	1088
Los Altos	85	84	99	112	97	477
Los Altos Hills	23	23	28	32	15	121
Los Gatos	101	100	112	132	174	619
Milpitas	502	502	565	1151	3290	6010
Monte Sereno	12	11	13	13	12	61
Morgan Hill	137	136	154	185	316	928
Mountain View	407	407	492	527	1093	2926
Palo Alto	346	345	432	278	587	1988
San Jose	4617	4616	5428	6188	14231	35080
Santa Clara	525	525	695	755	1593	4093
Saratoga	74	73	95	104	93	439
Sunnyvale	820	820	906	932	1974	5452
<u>Unincorporated County</u>	<u>11</u>	<u>11</u>	<u>13</u>	<u>214</u>	<u>28</u>	<u>277</u>
<b>Total</b>	<b>8083</b>	<b>8075</b>	<b>9537</b>	<b>11222</b>	<b>24639</b>	<b>61556</b>

Source: Association of Bay Area Governments (ABAG), 2014

Central to the Community Plan, is the creation of 6,000 housing opportunities – new housing units or rental subsidies that are connected to services and designed to help homeless individuals or families. The housing opportunities are either permanent supportive housing (PSH) programs or rapid rehousing (RRH) programs.<sup>2</sup> Table 2 summarizes the goals of the Community Plan by program type. The goals are further divided between new housing units and rental subsidies (aka Tenant-Based Rental Assistance – TBRA).

**Table 2 – Community Plan Goals Starting January 1, 2015**

	PSH	RRH	Total
New Housing Unit	2,000	1,600	<b>3,600</b>
Rental Subsidy (aka TBRA)	1,400	1,000	<b>2,400</b>
<b>Total</b>	<b>3,400</b>	<b>2,600</b>	<b>6,000</b>

<sup>2</sup> PSH provides deeply subsidized housing and ongoing supportive services for persons with disabling conditions. In PSH programs, residents typically have an annual income of \$12,000. PSH programs typically require residents to pay 30% of their income towards the rent of the unit. RRH provides residents with temporary housing assistance and supportive services. In RRH programs, residents stay in their housing units and take over the full lease rent when their participation in the program ends. Residents participate in RRH programs for three to 12 months.

Prior to the Housing Bond being placed on the November 2016 ballot, the County and its partners had made significant progress towards reducing homelessness. Cities and the County partnered to jointly fund PSH or RRH programs, mainly as TBRA which required participants and service providers to find and apply for vacant units among existing housing stock. The County initiated California’s first Pay for Success project, a program model in which the government makes payments based on the outcomes achieved by the service provider. And the County and its partners created a development pipeline that will lead to the construction of 700 new units of permanent supportive housing by December 31, 2019. Table 3 summarizes the Community Plan’s goal accounting for the progress that has been made through December 31, 2016. Of the original goal for new housing units (3,600), the County and its partners must still find ways to develop nearly 3,000 units.

**Table 3 – Community Plan Goal & Progress through December 31, 2016**

	Goal	Progress Remaining			
		New	Pipeline	Total Units	% to Goal
<b>PSH – New Housing</b>	2,000	57	656	713	57%
<b>RRH – New Housing</b>	1,600	0	48 <sup>3</sup>	48	3%
<b>PSH – TBRA</b>	1,400	1215	0	1215	87%
<b>RRH – TBRA</b>	1,000	233	157	390	39%
	<b>6,000</b>	<b>1,505</b>	<b>861</b>	<b>2,366</b>	<b>39.4%</b>

Even with the current progress and even with the success of the All the Way Home Campaign, which housed over 500 homeless veterans in its first year, policy leaders understand that increasing housing stock is critical to achieving our ultimate goals. Moreover, the increase must include housing that is affordable and available to our community’s poorest residents.

In addition to helping cities meet RHNA targets, the Housing Bond will help homeless men, women and families in each city. The Housing Bond is part of an ongoing effort to prevent and reduce homelessness throughout Santa Clara County. The Housing Bond will be used in conjunction with other tools, such as the No Place Like Home program (NPLH), a \$2 billion statewide housing bond funded by the Mental Health Services Act (MHSA), to create a more robust supportive housing system, the success of which could be gauged by monitoring three homelessness indicators.

1. The number of individuals who experience homelessness in Santa Clara County as measured by point-in-time counts.
2. The number of individuals or households who experience homelessness in Santa

<sup>3</sup> 38 of 48 units may be used as RRH or PSH.

Clara County for first time.<sup>4</sup>

3. The rate by which individuals and families return to homelessness after participating in shelter or supportive housing programs.

Every two years, the County and cities conduct a point-in-time (PIT) count of sheltered and unsheltered homeless persons. The reports consistently show that homelessness affects individuals and families in nearly every part of the County, and that about 80% of people who experience homelessness, were permanently housed in Santa Clara County when they became homeless.

**Table 4 – Point-in-Time (PIT) Count of Homeless Persons by Jurisdiction**

	<u>2009 PIT</u>	<u>2011 PIT</u>	<u>2013 PIT</u>	<u>2015 PIT</u>
Campbell	44	103	91	53
Cupertino	61	49	112	73
Gilroy	599	520	379	439
Los Altos	97	5	6	18
Los Altos Hills	0	0	0	0
Los Gatos	20	18	11	1
Milpitas	70	139	95	122
Monte Sereno	4	11	1	1
Morgan Hill	104	211	61	81
Mountain View	76	37	139	276
Palo Alto	178	151	157	219
San José	4193	4034	4770	4063
Santa Clara	474	396	478	377
Saratoga	23	7	35	10
Sunnyvale	349	374	425	288
Unincorporated	776	985	836	500
Confidential Locations	18	27	35	35
<b>Total</b>	<b>7086</b>	<b>7067</b>	<b>7631</b>	<b>6556</b>

With nearly 74% of the Housing Bond earmarked for households earning 30% or less of AMI, the Housing Bond is fully aligned with the County’s housing priorities and supports the County’s role in managing safety net services. Housing, especially, PSH for chronically homeless persons, is a critical resource that can help individuals avoid unnecessary utilization of high-cost safety-net services such as emergency rooms and hospitalization. In addition, the Housing Bond will be critical to scaling County initiatives such as Whole Person Care and Pay for Success.

Leading up to the Housing Bond, 12 of the 15 cities in Santa Clara County passed resolutions

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<sup>4</sup> The data would primarily come from the countywide Homeless Management Information System (HMIS).

to support the Community Plan and/or passed resolutions declaring that homelessness was a crisis and pledged to consider options for funding affordable and supportive housing. Some of the options were vetted by the County's year-long Housing Task Force (HTF), which included representatives from the City of San Jose, the Cities Association, the South Bay Labor Council and the Silicon Valley Chamber of Commerce. The Community Plan also received endorsements from the Cities Association, the Housing Authority and the Santa Clara Valley Water District (SCVWD).

Organized by Destination: Home and led by the County, the City of San Jose and the Housing Authority, the collective effort has – thus far – reduced homelessness in Santa Clara County by 14%. Equally important, the effort established a foundation for ongoing partnerships and a countywide approach in which disparate agencies implement mutually reinforcing activities to achieve common outcomes.

The County is entrusted with managing the Housing Bond and its programs. However, fully implementing the vision will require new levels of interagency coordination, community engagement and innovation. The Housing Bond can be the cornerstone for scaling the affordable and supportive housing system that has been in development for the last five years. At this juncture we are presented with many complementary opportunities, not the least of which is NPLH. Of the \$2 billion that would be available across the State, approximately \$100 million would be available to Santa Clara County. Our vision should be to create a system that will be able to prevent homelessness whenever possible; and, when not possible, to make all instances of homelessness, rare, brief and non-recurring.

### **C. HOUSING “PRODUCTION” TARGETS**

In addition to having more effective supportive housing programs, the community must work to increase housing opportunities, which can come in the form of new housing units or rental subsidies. Working with cities, the Housing Authority and other stakeholders, the Administration would establish targets for increasing housing opportunities over the next ten years. The “production” targets would include:

1. The development of new housing units for PSH and RRH programs;
2. The development of new rental housing that is affordable to ELI and VLI households;
3. The development of new rental housing that is affordable to households earning up to 120% of AMI;
4. Homeownership opportunities for households earning less than 120% of AMI;
5. Capacity to prevent homelessness by providing lower income households with emergency assistance; and,
6. TBRA programs to help homeless individuals and families.

In implementing increased housing opportunities, the Administration would also take into account the geographic distribution of affordable housing units, homeownership opportunities and ability to use tenant-based rental assistance. While the primary focus of the Housing Bond is the development of new housing units, the inclusion of TBRA objectives would increase the ways in which public and private agencies can contribute to the creation of a supportive housing system. TBRA programs increase housing choice for our community's most vulnerable residents and are an important tool to help cities, the County and the Housing Authority assess and meet Federal requirements to actively promote fair housing practices and equal opportunity.

The following seven objectives serve as a starting point for establishing countywide housing goals over the next ten years. The framework and objectives would be developed and refined with input from the Board, partner agencies and the affordable housing community. The seven objectives are consistent with the County's housing priorities, the Housing Elements of each jurisdiction, the Housing Bond, and the Community Plan. Meeting the objectives would help all Santa Clara County jurisdictions meet their RHNA targets, especially for lower income households.

Even with the Housing Bond, meeting the housing production targets for ELI and VLI households will be challenging.<sup>5</sup> The production targets would push public and private partners to innovate in response to existing or new barriers to housing development. The OSH recommends setting stretch goals, periodically revising the "pro forma" for the community's housing production goals, and then problem-solving towards achieving those objectives.

Objective 1 – Construct or approve at least 4,200 new housing units affordable to ELI renters. The 4,200 units would include:<sup>6</sup>

- 1,600 units for use as RRH for homeless persons;
- 1,200 units for use as PSH for homeless persons with disabling conditions; and,
- 600 units for use as PSH for persons with disabling conditions.

Objective 2 – Construct or approve at least 600 new housing units that are affordable to renters earning between 31% and 50% of AMI.

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<sup>5</sup> The OSH estimates that over the next ten years, Santa Clara County projects would have access to about \$2 billion in affordable funds. This amount does not include any private capital (e.g., conventional loans from banks) that projects could leverage. However, the OSH would like more time to vet our estimates with peers and housing finance experts.

<sup>6</sup> All units may accommodate the head of household and their family members.

Objective 3 – Construct or approve at least [TBD] new housing units that are affordable to renters who are earning between 51% and 120% of AMI. The resolution authorizing the Housing Bond enables the Administration to support the development of rental housing for households in this income range. However, the Administration needs more time to determine the methods to identify such opportunities, financing options and production targets.

Objective 4 – Assist at least 1,000 first-time homebuyers earning up to 120% of AMI.

Objective 5 – Fund and implement TBRA programs as follows:

- 200 new PSH programs using TBRA; and,
- 600 new RRH programs using TBRA.

Objective 6 – Create sufficient capacity to prevent homelessness for up to 1,000 households annually. According to the countywide Homeless Management Information System (HMIS), each year approximately 4,500 individuals experience homelessness for the first time. A preliminary estimate by the OSH suggests that one-time emergency financial assistance and services could prevent homelessness for up to 23% of those individuals. Additional research is needed to confirm this estimate and to determine appropriate methodology for identifying households in need of assistance before they become homeless. The remaining 77% would need a higher level of intervention.

Objective 7 – Ensure that new housing development and utilization of TBRA programs occur in cities / communities in a pattern that approximate RHNA allocations while taking into account public transportation hubs and corridors.

#### **D. AFFORDABLE HOUSING PROGRAMS**

The Housing Bond and the Board’s motion placing Measure A on the November 2016 ballot outlined several investment areas. Possible uses of the Housing Bond include, but are not limited to, land acquisition in fee simple, building permanent structures on land, renovating or redeveloping structures and other permanent facilities on land, installing permanent utilities/ infrastructure on land and loans or payments to third parties to acquire land in fee simple or build permanent structures. Broadly, the Housing Bond calls for:

- \$700 million to be used for ELI and supportive rental housing;
- \$100 million to be used for VLI rental housing; and,
- Up to \$150 million for rental housing affordable to households earning up to 120% of AMI; of this amount, up to \$50M may be used to assist first time homebuyers.

The majority of Housing Bond funds would be used to finance new multifamily rental housing, with a significant number of units set aside for homeless individuals and families as part of PSH and/or RRH programs. Recently, the County and some cities have supported a number of projects that are 100% supportive housing. While there may be some 100% supportive housing projects in the future, most supportive housing units would be included in mixed income projects. County funds would typically only be a portion of a project's total financing.

Housing Bond funds would primarily be conveyed as low interest loans with payments deferred for the term of the loan or based on a project's residual cash flow. The County would place affordability restrictions on the property and record our security interest. However, for some projects, the County may issue conventional loans that require repayment. In doing so, the County would consider the project's revenues, the comparative advantage offered by the County versus a private for-profit lender, and timing the development pipeline's capital needs.

The loans would be provided to affordable housing developers, but could also be provided to development sponsors that are government agencies, such as the Housing Authority. Loans made with Housing Bond funds would be added to the OSH's loan portfolio which currently consists of 186 loans for single family residences with balances totaling \$8,257,939, and 141 loans for multifamily housing projects with balances totaling \$52,157,881.

The Administration is proposing two primary investment areas; Multifamily Rental Housing and Homeownership. For most programs, the Administration recommends retaining maximum flexibility and staying focused on approved housing production targets. Keeping local funds flexible would enable developers and local partners to maximize more prescriptive State and Federal funding programs.

## **1. Multifamily Rental Housing**

- a. Consolidated Supportive and Affordable Housing Loan Program.<sup>7</sup>** The Administration recommends establishing a loan program to finance the costs to develop multifamily rental affordable and supportive housing including shared housing and residential care facilities for adults with disabilities or seniors. The program would fund housing units for households who are earning up to 50% of AMI. This loan program would enable the County to

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<sup>7</sup> Supportive housing includes permanent supportive housing and rapid rehousing programs.

identify and fund developments using any of the County's funding sources including but not limited to Home Investment Partnership Program (HOME) and Community Development Block Grant (CDBG) funds.

- i. Underwriting Guidelines and Loan Terms.** The OSH would prepare and publish guidelines for underwriting and loan terms as part of the consolidated loan program. These guidelines would be consistent with terms that were recently approved for the County's most recent loans for projects such as Renascent Place (aka 2500 Senter Road) in San Jose, 1701 El Camino Real in Mountain View and the Morgan Hill Family Apartments Scattered Sites project. Projects may receive funding from one or more County sources. Loan terms, including the target population, may vary depending on the funding source's specific requirements. For example, the use of MHSA funds would require the project serve persons with a serious mental illness. The underwriting guidelines and loan terms would be periodically modified to support the County's housing goals.

The OSH may recommend projects that exceed published guidelines and/or with exceptional loan terms. These projects would be recommended if they significantly advance the County's housing priorities. As part of the approval process for these projects, the OSH would highlight how the projects deviate from published guidelines. Underwriting guidelines and standard loan terms will be drafted by April 30, 2017.

- ii. Approval Process.** The Administration recommends the following process for the approval of loans to develop multifamily affordable and supportive housing.
  - OSH would identify potential projects through the various methods described below.
  - OSH would underwrite the loans (e.g., assess feasibility and risk, reasonableness of costs, etc.) and negotiate major deal points (e.g., number of PSH or RRH units to be included).
  - The County Executive would establish a loan committee to review the OSH's recommendations. The committee's role would be to identify short-term and long-term barriers/challenges that would destabilize the project. The loan committee would consist of: 1) the County Chief Operating

Officer; 2) FAF Director, or designee; 3) County Chief Financial Officer, or designee; 4) Director, Asset and Economic Development, or designee; and, 5) the Deputy County Executive / CEO Santa Clara Valley Health and Hospital System or designee.

- Based on the loan committee's input the OSH would prepare recommendations for the Board. If the Board approves the loan, authority to execute all necessary loan documents would be delegated to the County Executive.
- The OSH would prepare loan documents and manage the loan closing process.
- OSH staff or contractor(s) would service the loan and monitor compliance.
- Material modifications to the approved loan would require Board approval.

**iii. Project Identification and Coordination.** In order to meet housing production targets, the County intends to continuously identify, facilitate and coordinate the development of housing projects. In fact, the Administration believes the one of the most critical roles of the County is to create and manage a pipeline of affordable and supportive housing units.

Issuing annual notices of funding availability and relying on developers to propose projects will have very limited results. The OSH must use various tools to:

- Identify and create a dynamic pipeline of housing projects for the next ten years; and,
- Coordinate with cities and the Housing Authority to fund every viable project.

Ideally, local government agencies would know the current pipeline of housing development, work together to increase projects and plan entitlement and financing schedules for each project. To move towards this scenario, the Administration would use a variety of strategies, developing new ones if the strategies are inadequate. To the extent that the strategies were inconsistent with Board policy regarding procurement, the Administration would work with County Counsel to

modify policies by appropriate action. The OSH envisions the following strategies:

- Ensuring that all notices of funding availability (or other procurement processes) are issued in partnership with cities and the Housing Authority so that projects could be reviewed and funded in a coordinated manner;
- Including government-owned land in joint procurement processes;
- Working with city staff and city councils to develop a plan that would implement some of their Housing Element goals;
- Retaining flexibility in the order in which projects are funded so that we can advance projects with a greater number of supportive housing units or projects that meet other County goals (e.g., increasing the geographic distribution of projects);
- Maintaining informal and formal partnerships with developers so that the County and cities can maintain – confidentially if necessary but consistent with applicable law – an up-to-date list of all projects in the development pipeline;
- Determining the feasibility and implementing a process by which developers with significant supportive housing experience have funding priority and may bring projects “over-the-counter;” and,
- Enabling funding partners, like cities and the Housing Authority, to recommend projects that are consistent with our shared objectives.

**b. Supportive Housing Predevelopment Program.** Funding a predevelopment program would be a key tool in creating a pipeline of developments with significant supportive housing units. The predevelopment program would consist of a loan program and/or an acquisition fund that would enable the County, another public agency or housing developers to acquire land for the development of housing with a to-be-determined

minimum number of supportive housing units. The predevelopment program could build on the existing partnership with Housing Trust Silicon Valley (HTSV) or be administered separately. Predevelopment funds/loans could be reinvested in other projects to the extent that they are replaced with permanent financing.

- c. **Workforce Housing.** The Administration requests more time to research and develop recommendations related to developing multifamily rental housing that is affordable to households earning between 50% and 120% of AMI. While existing affordable housing programs support the development of 60% AMI units, the OSH is unaware of any State or local affordable housing programs that support the development of new rental housing for households earning between 60% and 120% AMI.

The Administration recommends that the County not act as a developer (i.e., obtaining entitlements, securing financing and overseeing construction, etc.) and not directly manage affordable housing. However, from time to time, the County, using Housing Bond funds, may need to acquire and improve real property directly. Examples include instances when the Roads and Airports Department surpluses property and transfers that property to the County or when it is appropriate for the County to acquire, rehabilitate and expand a residential care facility. County acquisitions and improvement of real property would be primarily managed by the County's Facilities and Fleet Department (FAF). The County would follow the same approval process for these types of actions and recommendations, as discussed above for non-County affordable housing projects. County property-related real estate transactions related to affordable and supportive housing would also be reviewed and discussed as part of the County's Administrative Space Committee.

## **2. Homeownership Opportunities.**

Up to \$50 million of the Housing Bond can be used to assist first-time homebuyers who are earning up to 120% of AMI. A first time homebuyer, according to Title 25 of the California Code of Regulations §8201(l), is defined as an individual or individuals, or an individual and his or her spouse, who have not owned a home during the three-year period prior to the date of application. The County may modify and add eligibility requirements in order to meet policy objectives. For example, through marketing efforts, the County may prioritize families who rent in other counties and commute into Santa Clara County for work. Alternatively, as part of a workforce development program, the County's homeownership programs could prioritize persons in hard-to-fill professions such as clinical social workers who are in the process of obtaining their licenses. Such

programs may require additional legal analysis prior to implementation to ensure consistency with the latest statutes and case law.

Homeownership assistance programs generally fall into two categories. The first type offers financial assistance to help families afford existing market-rate housing stock – single family residences, condominiums, and townhouses. Programs take different forms, but most consist of low-interest loans with deferred payments. Often, the loans are structured to help buyers assemble the full down payment. Other financial assistance programs, like the County’s Mortgage Credit Certificate (MCC) program, increase affordability by reducing families’ tax liability.

Over the last seven years, financial assistance programs have declined as Federal, State and local funding for affordable housing has declined. Currently, the County, Housing Trust Silicon Valley (HTSV) and the cities of San Jose, Santa Clara, and Sunnyvale are the only organizations that provide financial assistance programs to first-time homebuyers. Prior to 2008, most cities had some form of homebuyer assistance programs. As shown in Table 6 the number of homebuyers served by these programs has steadily declined over the last five years.

**Table 5 – Number of Homebuyers Served through Financial Assistance Programs**

	<b>Prior to FY 2013</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>Total</b>
<b>County</b>	129	37	36	3	18	<b>223</b>
<b>HTSV</b>	1,727	59	29	29	20	<b>1,864</b>
<b>San Jose</b>	64	24	12	6	17	<b>123</b>
<b>Santa Clara</b>	63	0	0	0	0	<b>63</b>
<b>Sunnyvale</b>	7	5	2	4	2	<b>20</b>
<b>Total</b>	<b>1,990</b>	<b>125</b>	<b>79</b>	<b>42</b>	<b>57</b>	<b>2,293</b>

The second type of homeownership assistance focuses on increasing the supply of homes that are affordable to moderate and low income households. A common form of this assistance is Below Market Rate (“BMR”) inclusionary housing programs. In BMR programs, cities require developers to sell units in new developments at a “below market rate” price that is affordable to lower or middle income households. BMR programs also place limits on the income levels of buyers. The percentage of BMR units required for each development differs by city. Some cities allow developers to pay a fee in lieu of including BMR units in their for-sale developments. The cities use the fees to subsidize the development of affordable rental housing. Inclusionary housing policies can increase housing affordability throughout a city. Of the 11 cities in Santa Clara County that have inclusionary housing policies on for-sale developments, seven allow in-lieu fees.

**Table 6 – BMR Units by City (Rental and For Sale)**

	Prior to FY 2012	Added in FY 2013	Added in FY 2014	Added in FY 2015	Added in FY 2016	Total
<b>Campbell</b>	329	0	0	26	0	<b>355</b>
<b>Cupertino</b>	252	0	4	0	4	<b>260</b>
<b>Gilroy<sup>8</sup></b>	1,069	0	0	0	21	<b>1,090</b>
<b>Los Altos</b>	105	0	0	0	0	<b>105</b>
<b>Los Altos Hills</b>	0	0	0	0	0	<b>0</b>
<b>Los Gatos</b>	136	3	3	26	1	<b>169</b>
<b>Milpitas</b>	1,155	0	7	0	0	<b>1,162</b>
<b>Monte Sereno</b>	0	0	0	0	0	<b>0</b>
<b>Morgan Hill<sup>9</sup></b>	476	4	5	19	16	<b>520</b>
<b>Mountain View</b>	27	0	0	0	15	<b>42</b>
<b>Palo Alto</b>	495	14	0	0	70	<b>579</b>
<b>San Jose</b>	272	0	0	0	15	<b>287</b>
<b>Santa Clara</b>	120	6	0	5	17	<b>148</b>
<b>Saratoga</b>	0	0	0	0	0	<b>0</b>
<b>Sunnyvale</b>	67	5	15	15	21	<b>123</b>
<b>Unincorporated</b>	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>4,503</b>	<b>32</b>	<b>34</b>	<b>91</b>	<b>180</b>	<b>4,840</b>

Another way to increase the supply of affordable for-sale homes is by funding or subsidizing “self-help” or “sweat equity” programs, like the ones operated by Habitat for Humanity East Bay/Silicon Valley. These programs require participants to contribute time and labor towards the actual construction of the home. Traditionally, self-help programs built single family residences, but now include condominiums and townhomes.

In practice, a potential homeowner may have to access both types of programs in order to purchase a home. For example, the cities of Sunnyvale and Santa Clara pair their BMR programs with down payment assistance programs. Similarly, self-help program participants usually have access to low interest loans, the payments from which go into a revolving loan fund for other low income first-time homebuyers. Appendix A summarizes the major homeownership programs that are available in Santa Clara County.<sup>10</sup>

<sup>8</sup> These units are not required through an inclusionary ordinance but are deed restricted below market rate units.

<sup>9</sup> These units are not required through an inclusionary ordinance but are deed restricted below market rate units.

<sup>10</sup> While not discussed in this report, the County and other agencies have programs to help low income homeowners preserve their homes. These programs vary. Some take the form of recoverable grants to homeowners so they can

Standing alone, each homeownership program has its limitations. A drawback of financial assistance programs is that there is a limited inventory of homes that are affordable to households earning 120% of AMI or lower (See Table 7). BMR unit production is constrained by economic and development cycles, some cities' growth restrictions, the depth and applicability of inclusionary zoning ordinances and the frequency with which cities allow in-lieu fees. Other drawbacks of BMR programs are that they are difficult to administer and do not always allow owners to build equity because the program might require the home to be sold at below market rates. For self-help programs, unit production is a concern. Habitat of Humanity East Bay/Silicon Valley has constructed and/or renovated 164 homes in Santa Clara County. Of these, 57 are new homes have been constructed and 10 have been rehabilitated to sell to new buyers.

**Table 7 – Maximum Affordability by Income Threshold (4 Person Household)**

	Annual Income	Maximum Mo. Payments	Loan(s) Maximum	Maximum Purchase Price (with 20% down)	Homes Below Maximum Price
120% AMI	\$128,500	\$3,855	\$600,000	\$750,000	1,216
100% AMI	\$107,100	\$3,213	\$503,200	\$629,000	922
80% AMI	\$84,900	\$2,547	\$396,000	\$495,000	718

*Source for number of homes below maximum purchase prices: Zillow*

To maximize the utilization of homeownership programs and increase homeownership rates among lower income and underserved populations, the County should dedicate resources to expand and coordinate the network of homeownership programs, including assistance to existing homeowners. The OSH's specific recommendations include the following.

- a. The County would establish a revolving loan fund to support a **Down Payment Assistance Loan Program**. This program would provide down payment assistance loans to first time homebuyers. The loans would be silent second deeds of trust that do not require repayment for up to 30 years. The principal amount plus interest would become due at the end of the 30-year term, or be repaid upon sale or transfer of the property.<sup>11</sup> Based on existing programs, the OSH estimates that approximately one-third of borrowers repay within six

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hire contractors to perform repairs and/or meet requirements of the building code. Other programs fund nonprofit agencies, such as Rebuilding Together Silicon Valley, to perform minor repairs (e.g., replacing grab bars in showers).

<sup>11</sup> The Administration may consider structuring the loan with an equity interest, but such programs are typically more difficult to administer. Loans with an equity interest require the borrower to repay the County's principal amount plus a share of the appreciation (profit). Repayment is typically triggered only when the property is sold or transferred.

years. This would mean that in the first ten years of the program, approximately 835 families would be served. All repayments would be returned to the revolving loan pool to assist other families. Alternatively, repayments could be used for programs that are consistent with the Housing Bond.

To be eligible for the program, the buyers would have to be employed in Santa Clara County. Moreover, the program would provide a preference for individuals who are employed in Santa Clara County but currently living in another County or more than 40 miles from their current place of employment. Other key terms and requirements of the program include:

- \$100,000 maximum loan amount, not to exceed 17% of purchase price
- The buyer must provide 3% down
- The property must be the homeowner's primary residence.
- The loan would be in a second lien position, subordinate to the first mortgage.
- Refinancing and/or subordination is allowed if homeowner seeks to lower interest rate on first mortgage.
- The maximum household income is 120% of AMI adjusted for household size.

The key benefit of this recommendation is that it is similar to existing programs and could be implemented by the fall of 2017. The OSH would conduct a competitive process (CP) to select a third-party program administrator that would underwrite, close and service the loans. However, all loans would remain County assets. A CP would also allow respondents to propose modifications to the program parameters. The goal is to start off with the most effective, responsive and efficient program as possible.

The program administrator would also have some responsibility for marketing, reporting and helping participants navigate the different programs that are available. The program administrator's fees would mostly be repaid through a minor origination fee, which the borrowers could pay from the proceeds of their loan from the County. The interest on the loans would be sized to keep the loan fund stable over a 30 year period. Of course, over time, the real value of the fund would decline as the market price of homes likely increases. The program's parameters, such as maximum loan amount, may need to be adjusted over time.

To keep down the costs and time associated with issuing down payment assistance loans, the OSH recommends the following process for issuing loans. Once the Board approves the program parameters, the OSH Director would be provided a delegation of authority to execute loan agreements and other routine documents associated with managing the loans (e.g., estoppel certificates, subordination agreements, and reconveyances). All loans would have to be approved by a loan committee created by Administration, consisting of: 1) the executive director of organization administering the Down Payment Assistance Loan Program; 2) the OSH's Housing and Community Development Manager (or other designated position); and, 3) a designee from the County's Finance Agency.

- b. Production.** The Administration requests more time to research programs that would increase the production of for-sale housing affordable to households earning less than 120% of AMI. The research would be focused on three areas: 1) increasing the production levels of self-help programs; 2) increasing production associated with cities' BMR inclusionary zoning policies; 3) rehabilitating and converting older properties from rental to for-sale; and, expanding the use of manufactured homes. OSH staff would use various methods, including formal Requests of Information and design/concept competitions, to determine the feasibility of each program. However, the bulk of the effort would consist of coordinating with each city's housing and/or community development staff.

The Administration intends to bring additional program recommendations to the Board as soon as they were available, but no later than December 31, 2017, so that the County could begin implementation in 2018. If it is determined that other homeownership assistance programs cannot or should not be funded by the Housing Bond, then the Board could consider allocating up to \$50 million towards the Down Payment Assistance Loan Program.

## **E. HOUSING READY COMMUNITIES (HRC)**

In addition to developing and coordinating a pipeline of supportive housing projects, the County must play an active role in increasing community acceptance of housing as the solution to preventing and ending homelessness. The Administration recommends supporting a sustained community engagement and education campaign in partnership with cities and other stakeholders. Through regional planning, policy development, and civic engagement, the campaign would create an environment where affordable and supportive

housing units are viewed as community assets which can be developed more quickly and at lower costs. The campaign would support the goal of ensuring the widest geographic distribution of affordable and supportive housing in the county.

While the components and organization of the campaign are still under development, it is clear that the campaign would have to engage elected leaders, cities' staff, business groups, community leaders, and the general public through targeted and methodical outreach. Using various mediums and communication platforms, the HRC campaign would have three overarching strategies:

- Increase awareness about effective strategies to end homelessness, real and perceived impacts of supportive and affordable housing, and the opportunities to connect housing development with smart growth and community benefits.
- Expand the tools available to cities to more effectively meet RHNA targets.
- Build coalitions of stakeholder groups to advocate for effective housing development countywide.

The County's role would primarily be to:

- Conduct and disseminate research related to the effectiveness and impacts of affordable and supportive housing;
- Supporting or managing the collection of data and information related to the current and planned inventory of affordable and supportive housing; and,
- Assisting developers and service providers with outreach and engagement strategies for specific projects.

The campaign would be consistent with various County initiatives related to improving a specific community's or a population's health or safety. For example, the Public Health Department (PHD) is actively working to improve the health of residents in three zip codes in East Side San Jose by creating healthier physical environments. Some of the strategies contemplated include removing litter and blight, repairing homes that do not meet building codes, and increasing affordable housing.

Another example could be the County's School Linked Services (SLS). Funding for the program is partially funded with MHSA Prevention and Early Intervention funds. The program invests services in schools that are located in underserved areas. In these programs, school staff and leaders, children and their parents, community-based organizations, and County staff are already working collaboratively to improve the behavioral health of students. The HRC campaign could reinforce these existing coalitions

and work with them to address the housing needs of their communities.

## **F. LEVERAGE OPPORTUNITIES**

On November 15, 2016, the Board directed the Administration to explore ways in which the County could use the Housing Bond to leverage additional funding to develop affordable and supportive housing. The Administration requests additional time to research leverage opportunities. However, as a starting point for discussion, we would place leverage opportunities into three categories which are not mutually exclusive.

The first category would be the activities that developers and governments take to make a project financially viable. Currently, developers bring together a variety of affordable housing programs to finance a project. Contributions towards a project's total development cost include, but are not limited to, the Low Income Housing Tax Credit program, obtaining ground leases from government agencies at below market rates, and using Section 8 subsidies to access commercial loans. As reported to the Housing Task Force, typically, the total local subsidy portion is about 35% of project's total development cost. In some cases, the affordable housing resource comes with funding to improve the neighborhood more generally. For example, Charities Housing Development Corporation (Charities) successfully applied to the Affordable Housing and Sustainable Communities (AHSC) program. The award included approximately \$7.5 million for community improvements. (e.g., street light, connecting trails).

The second category of leverage opportunities consists of actions that governments (with input from stakeholders) are taking or could take to increase resources for affordable housing. While the Housing Bond is one of those actions, it is important to note that additional funds are necessary and that various efforts are underway. Currently, the County and several Santa Clara County cities are finishing studies to determine the nexus between commercial and residential development and the need for affordable housing. The City of Santa Clara is obtaining community input regarding potential residential and commercial impact fees. Leverage opportunities also include increasing the availability of land for affordable housing. Local agencies can do this by changing policies to make affordable housing development easier, by deciding to use existing government-owned properties for affordable housing, and by creating policies that require that affordable housing be included in real estate transactions. Recent examples include the Valley Transportation Authority (VTA) adding an affordable housing component to its Joint Development Policy. As part of the Housing Bond implementation the County should increase its support to cities, local agencies, and statewide initiatives to improve access to land and funding for affordable housing. At the local level, the County could increase its participation in various work groups like the Cities Association's sub-committee on a RHNA sub-region.

The first two categories are centered on governmental action or access to existing state and local resources. The third category includes methods to access capital from private sources, excluding conventional loans from banks and other private lenders. Some of the current opportunities include working with community development financial institutions (CDFI), like HTSV, which raise and pool capital from banks, credit unions, governments, businesses and other institutions to provide below market rate predevelopment and permanent loans. Some large CDFIs, like the Reinvestment Fund, are able to use special financial vehicles like New Market Tax Credits to make investments to meet other community needs, like supermarkets. These funds are a limited source and require the housing be available for workers. The Reinvestment Fund was an investor in the County's first Pay for Success project (aka Project Welcome Home).

Foundations and other sources of charitable giving have also played an important role in the development of affordable and supportive housing. For example, the Sobrato Foundation has contributed to housing for homeless families and youth in Santa Clara, San Jose, and Gilroy. Foundations can also make program-related investments (PRIs). For foundations, PRIs advance the foundation's mission, but enable the foundation to recoup and reinvest its contribution in another project. For recipients, PRIs provide access to capital at rates significantly below market rates. Some local foundations made program-related investments in Project Welcome Home.

To augment the Housing Bond, meet housing production targets, and more significantly address the housing crisis, the County may consider allocating resources to:

- Supporting cities and other government agencies that make policy changes to make housing development faster and less expensive;
- Supporting local and state resources to increase the availability of land and affordable housing funding; and,
- Developing strategic partnerships with businesses, foundations and other non-profit organizations to significantly expand the pool of private capital for supportive and ELI housing.

Finally, increasing capital for housing development is important, but it must be fully coordinated and aligned with the proposed housing priorities and strategies. If the additional funds do not require projects to include supportive housing units, some organizations would have an incentive and a path to continue developing affordable housing that cannot be accessed by the community's poorest and most vulnerable residents.

## **G. BOND ISSUANCE**

The Administration recommends issuing taxable bonds, which would give the County the greatest flexibility in terms of how and when to use Housing Bond funds. While the Administration is planning to issue the first series of bonds in September 2017, we need more time to make recommendations regarding the total amount of the first issuance and how those funds would be allocated among programs. It should be noted that the County has flexibility to revisit how many issuances make economic sense and over what period of time. The Administration's recommendation would take into account:

- The cost of and staff resources associated with each issuance;
- Current and anticipated interest rates;
- Funding requirements of projects in the pipeline;
- The likelihood that developers or other agencies would use and take advantage of a predevelopment program; and,
- The availability of County General Funds to assist projects before being repaid by the Housing Bond.

## **H. OVERSIGHT COMMITTEE**

The Housing Bond provides for the establishment of a citizens' oversight committee that would serve as an advisory body to the Board of Supervisors and to the public. The Board of Supervisors has preliminarily approved an Ordinance establishing the oversight committee. The committee will review an annual report each year to determine fiscal accountability. An independent auditor will report directly to the committee and will review the County's spending of bond proceeds to ensure consistency with all legal requirements and funding constraints. The Clerk of the Board is coordinating the formation of the committee.

The committee would receive all reports and recommendations that the Administration provides to the Board. At the Board's direction, the Administration would also prepare special reports on the disposition of Housing Bond proceeds. In addition, the committee would perform other functions that are specified in the ordinance, including advising the Board. Finally, County Counsel will review the role and authority of the committee in relation to approving Housing Bond-funded programs and projects.

## **I. SUPPORTIVE SERVICES**

Over the last five years, the OSH has been tasked with developing new supportive housing opportunities and overseeing the services that help homeless persons obtain and maintain housing. As the County's housing role expanded, the Administration modified internal organizational structures in order to more effectively manage supportive housing and homeless services. Starting in FY 2016-17, some parts of the OSH organization formally moved under the County Executive's Office, but all of the services associated with PSH and the High Need Patient Initiative (HNPI) remained with BHSD or other SCVHHS departments. Participants in supportive housing programs receive an array of services ranging from housing search to specialty mental health services to primary care. The services can be provided by different County programs and departments. As the County's supportive housing role expands, the Administration will continue finding ways to improve the effectiveness and coordination of services.

The creation of supportive housing is predicated on the delivery of effective and efficient services for each PSH or RRH unit that is built or subsidy program that is implemented. As noted in reports to the HTF and to the Board, the Administration estimates that services cost \$10,000 per PSH household per year. The Administration will convene County Departments to review current and develop new methods of organizing, funding and managing supportive services, especially for participants of PSH programs.

The County will continue to have a significant role and responsibilities for services; however, the County, by itself, does not have the necessary authority or sufficient resources to meet the supportive housing need without effective participation from other governmental and non-governmental participants. As with housing development, we will push to innovate and create new partnerships with cities, foundations, health plans and other stakeholders.

Finally, it is important to underscore several programmatic principles associated with supportive housing programs. These principles are consistent with the Community Plan, evidence-based practices and other policy-setting programs, including NPLH and the federal Continuum of Care Program (CoC).

- **Housing First.** Supportive housing programs will employ a Housing First approach. Housing First is an evidence-based model that uses housing as a tool, rather than a reward, for recovery, and centers on providing or connecting homeless people to permanent housing as quickly as possible. Housing First providers offer services as needed, and requested, on a voluntary basis and do not make housing contingent on participation in services or programs.

- **Coordinated Entry System (aka Coordinated Assessment System).** Referrals to supportive housing programs for homeless individuals and families will be managed through the countywide Coordinated Entry System. The U.S. Department of Housing and Urban Development requires communities to develop and implement a process to assess the eligibility and needs of each individual or family who seeks homeless assistance and prioritize access to assistance based on individual needs and strengths. For more information see [HUD's Coordinated Entry Policy Brief](#).
- **Harm Reduction & Recovery.** Everyone is capable of recovery but it will look different for each person. With stable housing and appropriate services, individuals will become healthier, more stable, happier and more self-sufficient. Service providers focus on reducing the negative consequences of behaviors.

## **I. STAFFING AND RESOURCE NEEDS**

In this section, the Administration outlines the resources and organization that would be needed in order to implement the strategies and programs described in the previous sections. Based on the Board's feedback, the Administration would make recommendations to request additional positions and appropriations as part of and/or prior to the FY 2017-18 Recommended Budget.

### **Office of Supportive Housing.**

Under the direction of the County's Chief Operating Officer, the OSH will be the County's lead agency for implementing the Housing Bond, coordinating strategies to achieve housing production targets, and maintaining partnerships that produce outcomes consistent with the measures of success. Current OSH resources to manage and coordinate supportive housing development are limited. Most of the growth in the OSH has been to support operations (i.e., services to help people obtain and maintain housing) and coordination of the supportive housing system to meet federal requirements.

Current resources dedicated to managing and coordinating the development and preservation of affordable multifamily rental and for-sale single family residences include approximately 3.0 FTEs, a \$200,000 budget for consultants, and a \$135,000/year contract with HTSV for loan servicing. Along with the OSH Director, this team is being relied on to formulate countywide housing strategies including the implementation of the Housing Bond, build interagency partnerships, and support about 12 active projects a year. These projects range from Renascent Place, which would construct 160 new permanent supportive housing units, to stabilizing Sobrato Transitional Apartments in Gilroy, to supporting the acquisition

of a single-family home in San Jose to ensure long-term stable housing for individuals with a serious mental illness.

The OSH estimates that we would need to support 110 to 120 housing projects over the next ten years in order to meet the communitywide goal of constructing or approving 3,400 new supportive housing units.<sup>12</sup> However, the work will not be evenly spaced because OSH will need to spend time upfront building the pipeline of projects. As indicated earlier, the goal is to identify and sequence all projects over the next ten years. The OSH has scheduled meetings with the cities and some developers to discuss their pipeline, but we estimate that they are only working on a total of 30 projects. That would mean that the County and its partners would have to facilitate adding 80 to 90 projects to the development pipeline.

To implement the programs and recommendations described in this report, the Administration is considering a request to add 11.0 FTEs and to increase appropriations for consultants by \$1,500,000. Consulting services may fluctuate as positions are filled and as projects or programs are implemented. (See Appendix B)

- Adding one executive management position to serve as the OSH Deputy Director.
- Adding one senior management or executive management position to strengthen and coordinate administrative activities including contracts management, budget operations and fiscal analysis. This position would also support the OSH Director with coordinating the Housing Ready Communities campaign and reporting on the County's housing programs.
- Expanding the role of and altering the classification of the current Housing and Community Development (HCD) Program Manager.
- Creating a multifamily housing development team by: 1) adding one development manager to lead the team; 2) adding three "development officers" with experience in housing finance, real estate and/or urban planning; and, 3) adding one administrative support staff.
- Adding two positions to manage current and expand homeownership assistance programs including the production of for-sale homes at below market rates.
- Expand the OSH's capacity to manage and implement supportive housing programs

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<sup>12</sup> Assumes that the average project will produce 100 units and that 30% of the units in each project would be supportive housing.

and the coordinated entry system by: 1) adding one senior manager to oversee RRH, homelessness prevention, emergency shelter and transitional housing programs; and, 2) adding one manager to oversee the administration of rental subsidy programs and coordinate with funding partners.

- Increasing appropriations to enable OSH to:
  - Hire housing development consultants who would help the OSH design and implement approved programs, support housing projects until the multifamily housing team is fully formed, and support the OSH when workload exceeds staffing resources;
  - Hire consultants who can assist developers on specific projects with services such as obtaining entitlements and community outreach and engagement;
  - Hire consultants that can assist OSH staff manage the Housing Ready Communities campaign by providing services including social marketing and urban planning; and,
  - Implement a grant program to help supportive housing developers, property management companies and services providers improve attract and retain staff, and develop expertise in all phases of developing and operating supportive housing including providing clinical services and leveraging federal funding like Medi-Cal.

**Facilities and Fleet Department (FAF).** The Administration is considering adding one full-time position to support County-led acquisitions and/or rehabilitation projects where the County would be the owner. This position may be deployed to support the Office of Asset and Economic Development (AED) to help coordinate the use of existing County-owned property in achieving housing goals.

**County Counsel's Office (CCO).** The Administration would recommend adding one attorney in the County Counsel's Office because of the anticipated volume of housing projects and real estate transactions. In addition to reviewing the various loan documents for all of the housing projects that the OSH intends to implement, the position would help the office develop policies, program guidelines and address matters related to use of Housing Bond funds.

**Finance Agency.** The Administration would recommend adding on Debt Management Officer and one Senior Account/Accountant III in the Finance Agency's Controller-Treasurer Department. The positions would help the Finance Agency with bond issuance activities, reporting activities, the creation and maintenance of financing models, and debt compliance tracking.

**Financial Assistance Programs**

<b>City / Agency</b>	<b>Program Name</b>	<b>Program Description</b>	<b>Loan Amount and Terms</b>	<b>Target Population</b>	<b>Status</b>
Housing Trust Silicon Valley	Gap Assistance Program (“GAP”)	The Housing Trust’s GAP loan is funded by the State of California Department of Housing and Community Development’s CalHome Program. GAP is a deferred second loan up to a maximum 20% of the purchase price up to \$57,500 to help with the purchase of homes in Santa Clara County. The GAP is a 30-year loan with an interest rate of 3%. Payment is deferred until the expiration of the term, sale of the home, or refinance of the first mortgage. There are no monthly payments on a GAP loan.	<ul style="list-style-type: none"> <li>• 20% of the purchase price, up to \$57,500;</li> <li>• 3% simple interest</li> <li>• 30 year deferred loan</li> <li>• Maximum Sale price not to exceed 60% of Median Sales price for Santa Clara County</li> <li>• Minimum Loan amount of \$10,000</li> </ul>	80% of AMI adjusted for household size; Santa Clara County	Funding available
Housing Trust Silicon Valley	Closing Cost Assistance Program (“CCAP”)	The Housing Trust Silicon Valley’s Closing Cost Assistance Program may be used for down payment and/or closing costs.	<ul style="list-style-type: none"> <li>• 20% of the purchase price up to \$50,000;</li> <li>• 3% simple interest</li> <li>• Minimum Loan amount of \$10,000</li> </ul>	120% of AMI adjusted for household size; house must be located in Campbell, Los Gatos, Milpitas or Mountain View.	Funding available
Housing Trust Silicon Valley	Mortgage Assistance Program (MAP)	The Housing Trust Silicon Valley’s Mortgage Assistance Program (MAP) may be used for down payment assistance.	17% of the purchase price up to \$85,000 NOTE: Minimum loan amount of \$20,000	120% of AMI adjusted for household size	Funding available
San Jose	Welcome Home Loan Assistance Program	The Welcome Home Loan Assistance Program offers a loan up to \$25,000 for down payment assistance at 3% simple interest for lower-income first-time homebuyers.	<ul style="list-style-type: none"> <li>• \$25,000</li> <li>• 3% Simple interest</li> <li>• maximum purchase price not greater than 95% of the Area Median sales price.</li> </ul>	no more than 120% of AMI adjusted for household size; or 80% of AMI when using federal HOME, ADDI, or CalHOME	Funding available

Appendix A – Inventory of Homeownership Assistance Programs in Santa Clara County

City / Agency	Program Name	Program Description	Loan Amount and Terms	Target Population	Status
Santa Clara City	Below Market Purchase Program (BMP)	The City of Santa Clara has operated a BMP Program since 1995, assisting low- and moderate-income families achieve the goal of homeownership and fulfill State mandates for the production of housing for all income levels. Housing Trust Silicon Valley (HTSV) serves as the BMP Administrator. The principal amount of the City Loan is the difference between the appraised unrestricted Initial Market Value (IMV) and the restricted Affordable Sales Price (ASP) when the BMP unit is initially sold.	<ul style="list-style-type: none"> <li>• 20 year</li> <li>• Loan amount equal to difference between IMV and ASP</li> </ul>	110% of AMI adjusted for household size; Santa Clara City live work preference	Funding available
Santa Clara County	Mortgage Credit Certificate Program	A program to assist first time homebuyers in Santa Clara County. An MCC assists eligible homebuyers in their ability to qualify for a mortgage loan and reduce their effective mortgage interest rate.	The MCC Program entitles qualified low to moderate income, first-time home buyers to reduce the amount of their federal income tax liability by 15% of the annual interest paid on their first mortgage loan.		Credits available
Santa Clara County	Reissued Mortgage Credit Certificate Program	IRS regulations allow existing recipients of MCCs to refinance their original mortgage loans on their principal residence and obtain a new MCC with a tax credit at the same rate as their original MCC.			Credits available
Sunnyvale	The First-Time Home Buyer (FTHB) Loan Program	FTHB Loan Program provides silent second down payment assistance of up to \$50,000 for eligible first-time home buyers. Assistance may be used to purchase market-rate or below-market rate homes in Sunnyvale. The program is available to first-time home buyers who live or work in Sunnyvale and whose incomes do not exceed the maximum for their household size.	Up to \$50,000	Up to 120% of AMI adjusted for household size	Funding Available

**Table 2: Below Market Rate Programs**

<b>City / Agency</b>	<b>Program Name</b>	<b>Program Description</b>	<b>Loan Amount and Terms</b>	<b>Target Population</b>
Campbell	Below Market Rate Program	The City of Campbell’s Inclusionary Affordable Housing Ordinance intends to increase the availability of affordable housing for very-low income, low-income and moderate-income households.	<ul style="list-style-type: none"> <li>Funding is not provided</li> </ul>	Income eligible City of Campbell employees
Cupertino	Below Market Rate Housing Program	New ownership projects adding one to six units may either pay the Affordable Housing Mitigation Fee or provide one BMR unit. New ownership projects with seven or more units or lots shall provide at least 15% of the units or lots as BMR ownership units.	<ul style="list-style-type: none"> <li>Funding is not provided</li> </ul>	Fifty percent (50%) of BMR units as median-income and fifty percent (50%) as moderate-income.
Gilroy	Residential Development Ordinance	The City’s Residential Development Ordinance Affordable Housing Exemption Procedure document defines that each Neighborhood District development shall construct a minimum of 15% of its units at affordable prices.	<ul style="list-style-type: none"> <li>Funding is not provided</li> </ul>	Very low, low and moderate income households
Los Altos	Multi-Family Affordable Housing	The City’s zoning ordinance requires developers to include BMR units in residential projects that include five (5) or more units with some exemptions. Rental projects with 10 or more units are required to provide 15% low income or ten 10% very-low income housing units. Ownership projects with 10 or more units are required to provide 10% of the units for moderate income.	<ul style="list-style-type: none"> <li>Funding is not provided</li> </ul>	Very low, low and moderate income households
Los Gatos	Below-Market Price Ownership Program	The BMP Program requirements shall apply to all residential development projects that include five (5) or more residential units	<ul style="list-style-type: none"> <li>Funding is not provided</li> <li>Buyer required to put 10% down</li> </ul>	No greater than 100% MFI as set by HUD Los Gatos live work preference
Milpitas	Below Market Rate Program	The City of Milpitas Municipal Code Section X1-10-4.03C (Ordinance No. 38.795) requires at least 20% affordable units within new multifamily residential projects.	<ul style="list-style-type: none"> <li>Buyer required to put 5% - 10% down</li> <li>Down payment assistance program provides up to \$50,000 for down payment</li> </ul>	Very low, low and moderate income households

Appendix A – Inventory of Homeownership Assistance Programs in Santa Clara County

<b>City / Agency</b>	<b>Program Name</b>	<b>Program Description</b>	<b>Loan Amount and Terms</b>	<b>Target Population</b>
Morgan Hill	Below Market Rate Ownership Housing	The City of Morgan Hill Residential Development Control System (RDSCS) awards competing developments points for provision of low-income and moderate-income housing that results in the development of BMR units.	<ul style="list-style-type: none"> <li>Funding is not provided</li> </ul>	Moderate and lower income
Mountain View	Below Market Rate	The City of Mountain view requires all residential developments with three (3) or more ownership units to provide 10% of the units at a below market rate.	<ul style="list-style-type: none"> <li>Funding is not provided</li> <li>55 Year affordability</li> </ul>	80 to 100% AMI Mountain View live work preference
Santa Clara	Below Market Price Program	The City's Inclusionary Housing Policy requires new developments of for-sale housing of ten 10 or more units to provide at least 10% of units at below market rates.	<ul style="list-style-type: none"> <li>Second loan program</li> </ul>	Low and Moderate income households
Sunnyvale	Below Market Rate Program	The City of Sunnyvale requires developers of large housing projects to sell a percentage of the homes at below market prices to low- to moderate-income households.	<ul style="list-style-type: none"> <li>Funding is available through homebuyer assistance program</li> </ul>	Moderate and lower income
Palo Alto	Below Market Rate Housing Purchase Program	The purpose of this program is to create and retain a stock of affordable housing in Palo Alto for people of low and moderate income. When a development of five or more residential units is built in the City of Palo Alto, the developer is required to contribute at least 15% of those units at below market rates (projects of 7 or more units must provide one or more BMR units within the development).	<ul style="list-style-type: none"> <li>Funding is not provided</li> </ul>	Low and moderate income Live work preference for Palo Alto residents and employees.

1

# Appendix B – OSH Organization

Continuum of Care  
Quality Improvement  
4.0 FTEs / \$1.9M

Rapid Rehousing &  
Homelessness  
Prevention  
5.0 FTEs / \$13.3M

Administration  
8.0 FTEs / \$1.3M

High Need  
Patient Initiative  
10.0 FTEs / \$1.7M

Housing & Community  
Development  
5.0 FTEs / \$1.9M  
\$10.6M (One-Time)

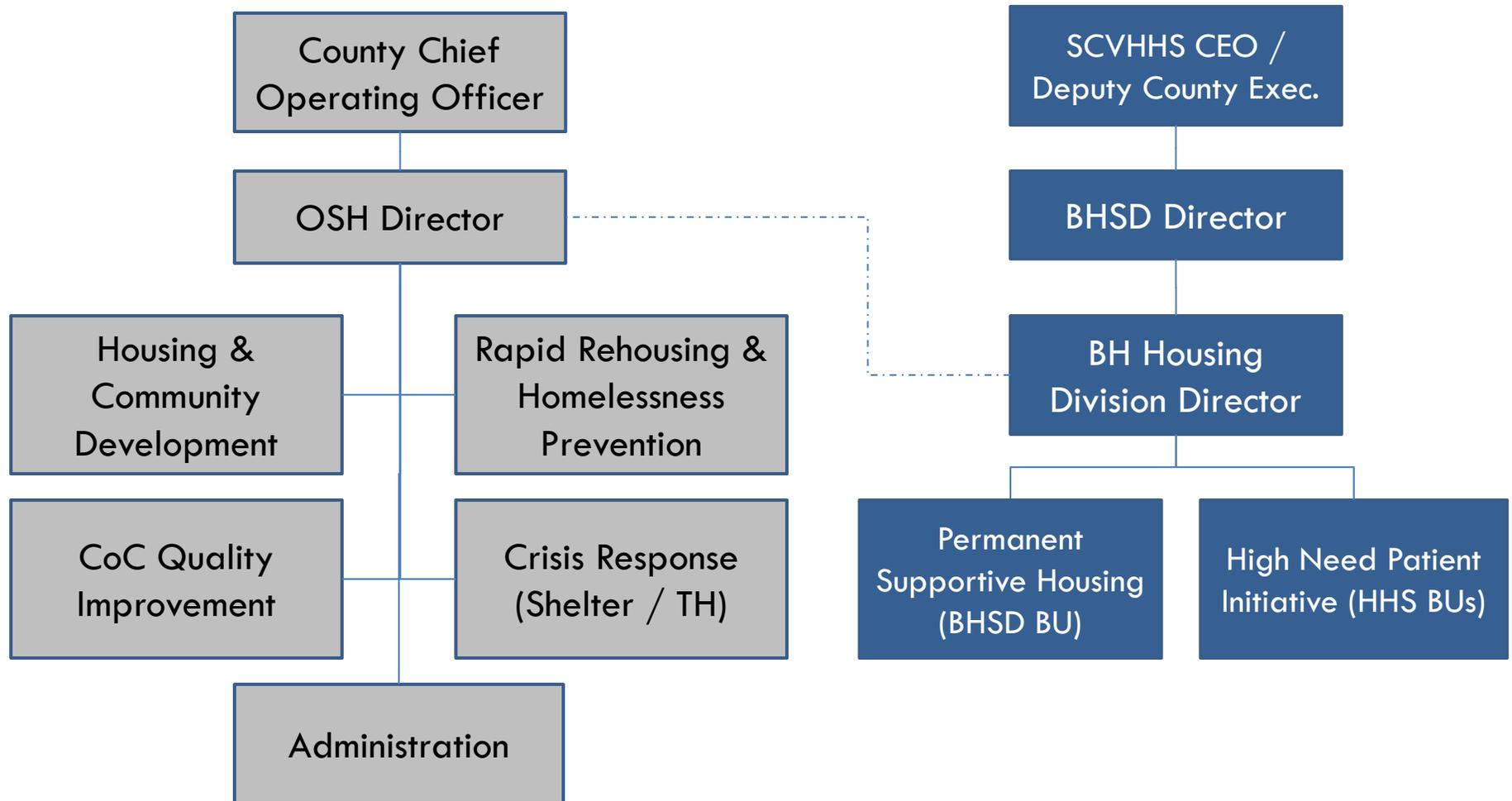
Crisis Response  
2.0 FTEs / \$6.3M

Permanent Supportive  
Housing  
24.0 FTEs / \$19.8M



# Organization by Budget Unit

2

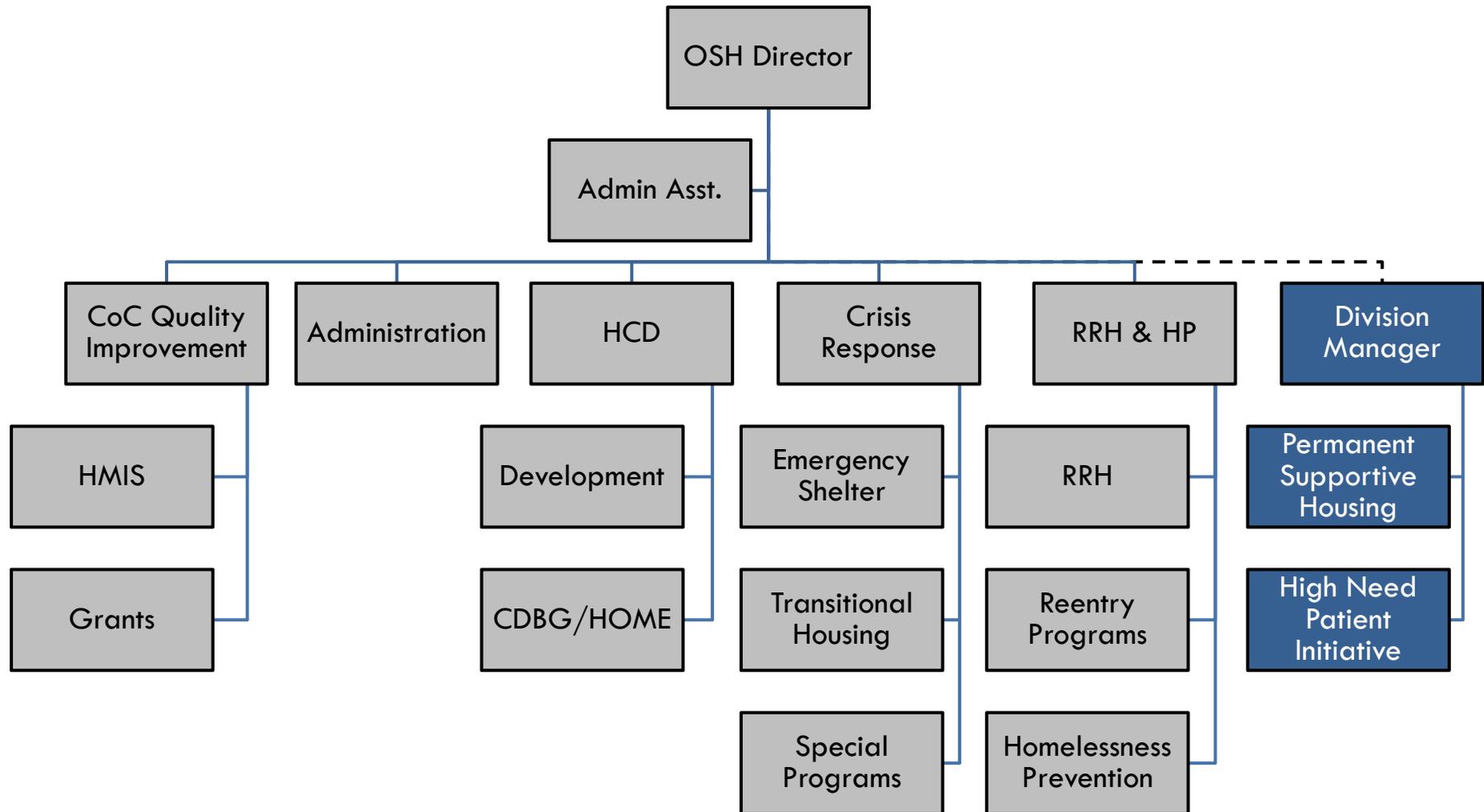


BU 168



# Current Organization

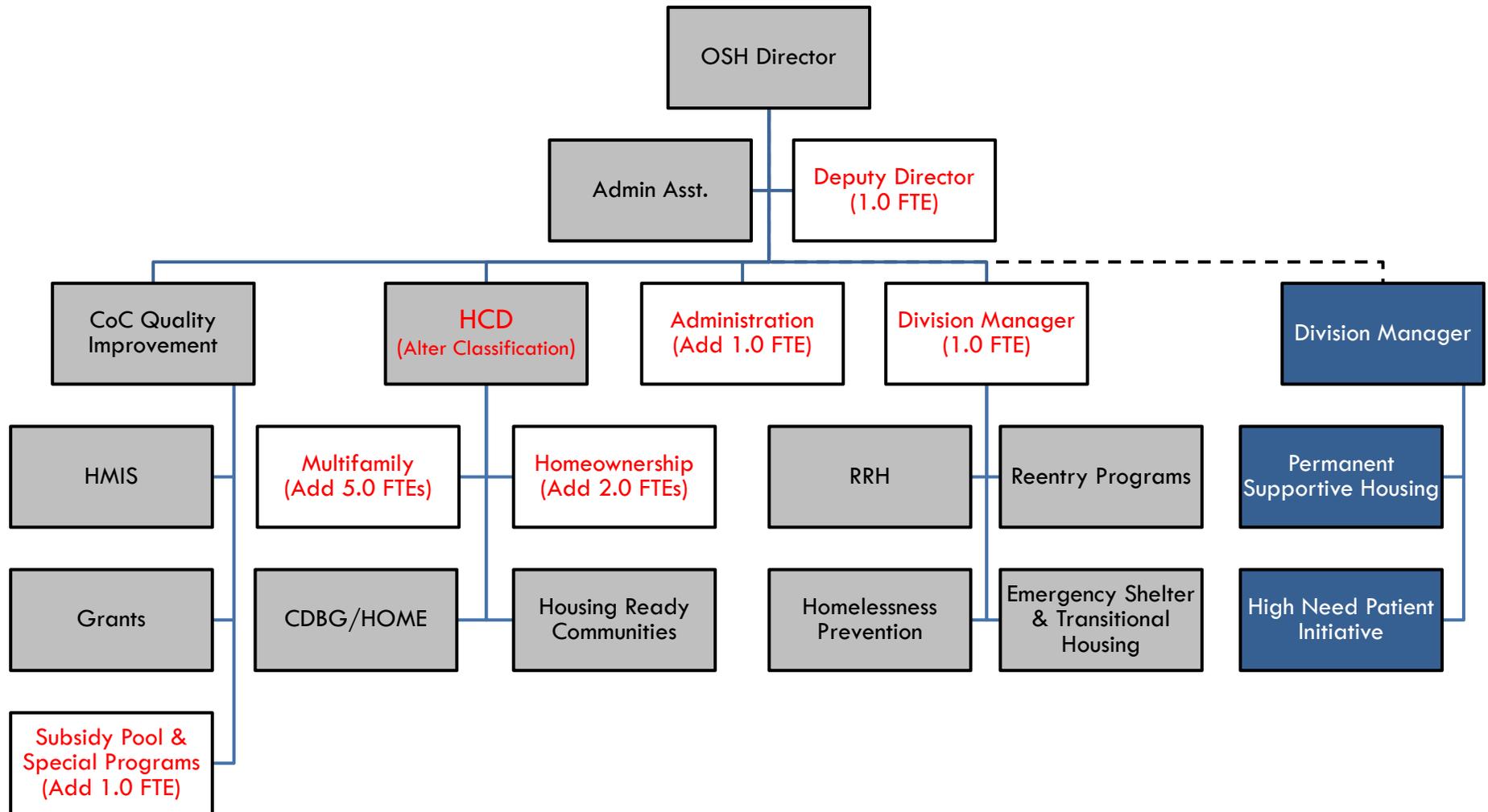
3





# Proposed Organization: 69.0 FTEs\*

4



\* Excludes positions that may be added to PSH & HNPI in FY18 for expanded services

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION OF THE BOARD OF SUPERVISORS  
OF THE COUNTY OF SANTA CLARA DECLARING OFFICIAL INTENT  
TO REIMBURSE CERTAIN EXPENDITURES FROM  
MEASURE A HOUSING BOND PROCEEDS**

**WHEREAS**, on November 8, 2016 the voters in Santa Clara County approved Measure A, which authorizes the County of Santa Clara (“County”) to provide affordable local housing for vulnerable populations including veterans, seniors, the disabled, low and moderate income individuals or families, foster youth, victims of abuse, the homeless and individuals suffering from mental health or substance abuse illnesses, which housing may include supportive mental health and substance abuse services by issuing up to \$950 million in general obligation bonds to acquire or improve real property subject to independent citizen oversight and regular audits. The full text of Measure A is attached hereto and incorporated herein. The activities associated with implementing Measure A are collectively referred to herein as “Measure A Project Implementation”; and

**WHEREAS**, due to the urgent and critical need for affordable local housing, the Board of Supervisors intends to authorize the expenditure of County funds for Measure A Project Implementation before the Measure A general obligation bonds are issued (collectively, the “Reimbursement Expenditures”); and

**WHEREAS**, the County reasonably expects that general obligation bonds in an amount not expected to exceed \$950 million will be issued to finance Measure A Project Implementation, and that some of those bond proceeds will be used to reimburse the Reimbursement Expenditures; and

**WHEREAS**, while it has not yet been determined whether the Measure A bonds will be issued as tax-exempt bonds or otherwise structured to receive favorable tax treatment for purposes of federal tax law, if this is ultimately the case then, for purposes of Section 1.150-2 of the regulations promulgated by the United States Department of the Treasury (the “Treasury Regulations”), the County must declare its reasonable official intent to reimburse prior expenditures for Measure A Project Implementation with proceeds of a subsequent borrowing, if Measure A general obligation bond proceeds are to be deemed spent on the Reimbursement Expenditures.

**NOW THEREFORE BE IT RESOLVED** by the Board of Supervisors of the County of Santa Clara, State of California, as follows:

Section 1. Recitals. All of the above recitals are true and correct and the Board of Supervisors so finds.

Section 2. Compliance with the Requirements of Section 1.150-2 of the Treasury Regulations. For purposes of establishing compliance with the requirements of Section 1.150-2

of the Treasury Regulations, the Board of Supervisors hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures. This declaration does not bind the County to make any expenditure, incur any indebtedness, or proceed with any aspect of the Measure A Project Implementation.

Section 3. Effective Date. This resolution shall take effect immediately.

**PASSED AND ADOPTED** by the Board of Supervisors of the County of Santa Clara, State of California, on \_\_\_\_\_, 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
DAVE CORTESE, President  
Board of Supervisors

ATTEST:

\_\_\_\_\_  
MEGAN DOYLE  
Clerk of the Board of Supervisors

APPROVED AS TO FORM AND LEGALITY:

  
\_\_\_\_\_  
LIZANNE REYNOLDS  
Deputy County Counsel

Exhibits to this Resolution:

A - Full Text of Measure A

1473009

# Attachment A – Full Text of Measure A

## MEASURE A

### COUNTY COUNSEL'S IMPARTIAL ANALYSIS OF MEASURE A

California law allows the County of Santa Clara to issue general obligation bonds with approval of two-thirds of the votes cast by County voters in the election.

Measure A would allow the County to borrow up to \$950 million by issuing general obligation bonds. The County would use this money to acquire or improve real property to provide affordable housing for populations that face challenges securing stable housing. People eligible for this housing would include:

- veterans,
- seniors,
- people with disabilities,
- low-income individuals and families with incomes no higher than 80% of the area median income,
- moderate-income individuals and families with incomes between 80% and 120% of the area median income,
- current and former foster youth,
- victims of abuse,
- homeless people, and
- people with mental illness or substance abuse-related illnesses.

Housing acquired or improved using bond funds could be sold or rented at below-market rates. Bond funds also could be used to provide housing in connection with supportive mental health and substance abuse services.

The County could use up to \$150 million of the bond proceeds to provide affordable housing for moderate-income individuals and families making between 80% and 120% of the area median income. The County could use up to \$50 million of that amount to provide financial assistance to moderate-income first-time homebuyers.

Measure A would require the County to prepare a public report each year describing the amount of the funds collected and spent, and the status of any projects paid for with bond funds. Measure A would also create a Citizens' Oversight Committee to review each annual report, and would require an independent auditor to review the County's spending of bond funds.

Measure A would allow an increase in the property tax rate to pay debt service on the bonds. The County estimates that the tax rate required to pay for the bonds during the first fiscal year after the sale of the first series of bonds will be \$12.66 per \$100,000 of assessed value of taxable property. The County estimates that the tax rate over the life of the bonds would range from \$10.76 to \$12.66 per \$100,000 of assessed value of taxable property.

### COUNTY COUNSEL'S IMPARTIAL ANALYSIS OF MEASURE A-Continued

On June 21, 2016, the County's Board of Supervisors placed Measure A on the ballot. Two-thirds of those voting on Measure A must vote in favor of the measure for it to be approved.

A "yes" vote would authorize the issuance and sale of general obligation bonds in the amount up to \$950,000,000 to provide affordable housing, to be secured by property taxes on property located within the County.

A "no" vote would not authorize the issuance and sale of the bonds.

Prepared by:

/s/ Jon Givner  
Deputy City Attorney, City and County of San Francisco

On behalf of:

/s/ James R. Williams  
Acting County Counsel

## COMPLETE TEXT OF MEASURE A

### BOND AUTHORIZATION

The Board of Supervisors of the County of Santa Clara recognizes the existence of a housing crisis in Santa Clara County: The rising costs of home ownership and the increasing cost of rental units throughout the county have resulted in a persistently high number of homeless individuals within Santa Clara County. The latest homeless count revealed a total of 6,556 homeless individuals in Santa Clara County with 4,627 unsheltered.

In response to this housing crisis, the Board of Supervisors is placing a general obligation bond on the ballot to generate up to \$950 million for the acquisition or improvement of real property in order to provide affordable local housing for vulnerable populations including veterans, seniors, the disabled, low and moderate income individuals or families, current or former foster youth, victims of abuse, the homeless and individuals suffering from mental health or substance abuse illnesses. "Low income" means individuals and families whose income does not exceed 80 percent of area median income. "Moderate income" means individuals and families whose income lies in the range of 80 percent to 120 percent of area median income. The housing may be provided at below market rates, and may be provided in connection with supportive mental health and substance abuse services.

A portion of the proceeds, not to exceed \$150 million, with not more than \$50 million for first-time homebuyers, may be used to provide housing that is affordable for moderate income individuals and families; such portion may be used, by way of example only, for first-time homebuyers or to promote housing that is in proximity to employment.

Even though housing for vulnerable populations is currently being built, the number of units available does not satisfy the projected demand within our community. The Board of Supervisors intends to distribute the new affordable housing units within the County and to leverage the resources acquired through this bond to attract both private and public matching funds, including from state and federal sources. Different forms of assistance for vulnerable populations may be provided based on programs and spending as determined by the Board of Supervisors.

The Board of Supervisors views housing as a critical need of vulnerable populations, without which individuals in these populations are unlikely to achieve any level of stability. Creating and improving housing for the County's vulnerable populations is consistent with the County's mission to plan for the needs of a dynamic community, provide quality services, and promote a healthy, safe and prosperous community for all. The County is seeking to achieve this in a cost-effective way.

### ACCOUNTABILITY SAFEGUARDS

Statement of Purpose: The specific purposes of the bond are to fund the acquisition or improvement of real property in order to provide affordable local housing for vulnerable populations including veterans, seniors, the disabled, low and moderate income individuals or families, victims of abuse, the homeless and individuals suffering from mental health or substance abuse illnesses, which housing may include supportive mental health and substance abuse services. The proceeds of any bonds issued pursuant to this bond measure will be applied only to these specific purposes.

## COMPLETE TEXT OF MEASURE A-Continued

Special Bond Proceeds Account: The proceeds of the bonds issued pursuant to this measure shall be deposited in a special account created by the County.

Annual Report: The County will ensure that an annual report pursuant to Government Code section 53411 describing the amount of funds collected and expended, and the status of any project required or authorized to be funded, shall be filed with its governing body.

Independent Citizens' Oversight Committee: A Citizens' Oversight Committee will be established and will review the annual report each year to ensure fiscal accountability.

Independent and External Audit: An independent, external auditor will review the County's spending of bond proceeds to ensure accountability.

## TAX RATE STATEMENT

An election will be held in the County of Santa Clara, State of California (the "County") on November 8, 2016, to authorize the sale of not to exceed \$950 million in general obligation bonds of the County to mitigate the housing crisis by providing affordable local housing for vulnerable populations including veterans, seniors, the disabled, low and moderate income individuals or families, foster youth, victims of abuse, the homeless and individuals suffering from mental health or substance abuse illnesses, which housing may include supportive mental health and substance abuse services. If the bonds are approved, the County expects to sell the bonds in three series over time. Principal and interest on the bonds will be payable from the proceeds of taxes levied upon taxable property in the County. The following information is provided in compliance with Section 9400-9404 of the Elections Code of the State of California.

1. The best estimate of the tax which would be required to be levied to fund this bond issue during the first fiscal year after the sale of the first series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is \$0.01266 per \$100 (\$12.66 per \$100,000) of assessed valuation in fiscal year 2017-18.

2. The best estimate of the tax which would be required to be levied to fund this bond issue during the first fiscal year after the sale of the last series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is \$0.01076 per \$100 (\$10.76 per \$100,000) of assessed valuation in fiscal year 2025-26.

3. The best estimate of the highest tax rate which would be required to be levied to fund this bond issue, based on estimated assessed valuations available at the time of filing of this statement, is \$0.01266 per \$100 (\$12.66 per \$100,000) of assessed valuation in fiscal year 2017-18.

4. The best estimate of the total debt service, including the principal and interest, that would be required to be repaid if all of the bonds are issued and sold is \$1.9 billion.

Attention of all voters is directed to the fact that the foregoing information is based upon the County's projections and estimates only, which are not binding upon the County. The estimates provided herein do not account for the taxes levied to pay for bonds issued by the County pursuant to prior voted authorizations. The actual tax rates and the years in which they will apply may vary from those presently estimated, due to variations from these estimates in the timing of bond sales, the amount of bonds sold at any given sale, market interest rates at the time of each bond sale, the credit quality of the County at the time each issue is sold, and actual assessed valuations over the term of repayment of the bonds among other factors. The actual dates of sale of said bonds and the amount sold at any given time will be governed by the needs of the County and other factors. The actual interest rates at which the bonds will be sold will depend on the bond market at the time of each sale. Actual future assessed valuation will depend upon the amount and value of taxable property within the County as determined in the annual assessment and the equalization process.

Dated: June 21, 2016

/s/ Emily Harrison  
Director of Finance  
County of Santa Clara

## ARGUMENT IN FAVOR OF MEASURE A

We're all concerned about our friends, family, and most vulnerable community members being able to find a place to live in our region.

Measure A provides solutions by **creating affordable housing for our children, veterans, disabled, working families, seniors, and thousands of others in need.**

**Everyone should have the opportunity to live in a safe, healthy, affordable home.** YES on Measure A authorizes a \$950 million bond to dramatically increase the number of affordable homes throughout Santa Clara County.

Voting YES on Measure A will:

- Make sure working people can afford housing and still have enough money for basics like groceries, gas, and childcare;
- Provide affordable homes for the hundreds of local homeless children and their families living in shelters or on the streets;
- Provide first time home-buyer down-payment assistance to middle-income residents, like local teachers, firefighters, and nurses, so they can live where they serve;
- Create affordable housing near transit to reduce traffic congestion and pollution;
- Provide housing for the chronically homeless, with supportive mental health and substance abuse services;
- Create affordable homes for veterans and seniors;
- Offer affordable homes near jobs for low-income families

YES on A includes strong oversight protections and independent audits, public accountability, and transparency, to make sure every cent goes to the creation of new, affordable housing.

Measure A is supported by a broad coalition of public health, businesses, civic, labor, housing and homeless advocacy, veteran, environmental, and faith leaders from every corner of our County.

We can provide critically needed affordable housing for working and low-income families and vulnerable members of our community.

We can make sure our children, who deserve the opportunity to succeed in school and life, have a stable home to grow up in.

Measure A will make the difference. Join us in voting YES on Measure A!

## ARGUMENT IN FAVOR OF MEASURE A-Continued

Learn more: [www.YesonAffordableHousing.org](http://www.YesonAffordableHousing.org)

/s/ Roberta Hollimon  
Chair, Council of the Leagues of Women Voters of Santa Clara County

/s/ Richard A. Bata  
Veterans Voice of Santa Clara County/U.S. Army Veteran

/s/ Janice Jensen  
President & CEO, Habitat for Humanity Silicon Valley

/s/ Pamela B. Bancroft  
Chairperson, Santa Clara County Senior Care Commission

/s/ Dave Cortese  
President, Santa Clara County Board of Supervisors

## REBUTTAL TO ARGUMENT IN FAVOR OF MEASURE A

The main reason that we don't have affordable housing is the law of supply and demand, the basic economic principle we learned in high school.

When the demand for housing exceeds the supply, the price of housing goes up.

So, why hasn't the supply kept up with the demand?

Answer: too much government regulation.

The housing supply is restricted because of government zoning laws that limit housing.

The supply is restricted because of government building fees, now estimated to be about 25% of the cost of new housing, according to the National Association of Home Builders.

The supply is restricted because of government banking laws that restrict lending to potential homeowners.

The supply is restricted because of government building codes that add unnecessary costs.

The solution to affordable housing is clear: **we need less government, not more debt.**

You've got to hand it to big government advocates: they've created this housing crisis, and now, they propose to solve the problem they created with more government and more debt.

Debt you have to pay for with 25-30 years of interest payments.

**Don't let big government proponents fool you. Vote NO on Measure A.**

Remember, bonds have to be paid back, with interest.

And interest on this \$950,000,000 bond measure is?

Answer: who knows? **Legally it could be as high as 12%.**

Who takes out a home mortgage without knowing what the interest rate is going to be?

Please vote NO on Measure A.

For more information: [www.SVTaxpayers.org/2016-measure-a](http://www.SVTaxpayers.org/2016-measure-a)

/s/ John M. Inks  
Mountain View City Councilmember

/s/ Mark W.A. Hinkle  
President: Silicon Valley Taxpayers Association

/s/ Elizabeth C. Brierly  
Santa Clara County Homeowner and Lifelong Resident

## ARGUMENT AGAINST MEASURE A

When the County of Santa Clara puts a bond measures like Measure A before the voters, what are they saying? Answer: everything they are spending your tax dollars on now, is more important than the projects for which this tax increase is being sought.

Budgets set priorities. The County of Santa Clara is **saying that every dollar they spend today is going to something they consider a higher priority than to provide affordable housing.**

Do you agree?

The main reason that we don't have affordable housing is the law of supply and demand, the basic economic principle we learned in high school.

When housing demand exceeds the supply, the price of housing goes up.

So, why hasn't the supply kept up with the demand?

Answer: too much government

The supply is restricted because of government zoning laws that limits housing.

The supply is restricted because of government building fees, now estimated to be about 25% of the cost of new housing according to the National Association of Home Builders.

The supply is restricted because of government banking laws that restrict lending.

The supply is restricted because of government building codes that add unnecessary costs.

The solution to affordable housing is clear; we need less government, not more.

You got to hand it to big government advocates, they've created this housing crisis and now, they propose to solve their problem with more government and more debt.

**Don't let big government proponents fool you, vote NO on Measure A.**

Remember bonds have to be paid back, with interest.

And interest on this \$950,000,000 bond measure is?

Answer: who knows! **Legally it could be as high at 12%.**

Who takes out a home mortgage without knowing what the interest rate is going to be?

Please vote NO on Measure A.

## ARGUMENT AGAINST MEASURE A-Continued

For more information: [www.SVTaxpayers.org/2016-measure-a](http://www.SVTaxpayers.org/2016-measure-a)

/s/ Mark W.A. Hinkle  
President: Silicon Valley Taxpayers Association

/s/ John M. Inks  
Mountain View City Councilmember

## REBUTTAL TO ARGUMENT AGAINST MEASURE A

You spoke: We heard you. Here in Santa Clara County, we share the value that people should have the opportunity to find and live in a safe, healthy, affordable home.

But right now, our region's increasing housing costs is the biggest barrier to our communities' ability to thrive.

We are all working together to find real solutions for our community. Measure A is a key part of our County-wide strategy to address this important and urgent issue and **create more affordable housing for our communities.**

- Measure A creates and preserves affordable housing for our vulnerable populations who really need our help, like the chronically homeless, low income seniors, veterans, and victims of human trafficking and domestic abuse.
- It provides more housing opportunities for working people, like our teachers, firefighters, and nurses, by creating more affordable housing near where they work.
- It grows opportunities to reach the American Dream, by providing First-Time Homebuyer loans for people who want to build their lives and families here.

We all agree that we need more affordable housing. Measure A is our chance to do something about it.

Join the League of Women Voters, Veterans Voices of Santa Clara County, Greenbelt Alliance, Silicon Valley Community Foundation and hundreds more in voting YES on Measure A.

Join us in **supporting the creation of safe, healthy, affordable homes across Santa Clara County.**

Join us in **supporting our seniors and veterans, our teachers and nurses, our children and families.**

[www.YesonAffordableHousing.org](http://www.YesonAffordableHousing.org)

/s/ Patrick Burt  
Mayor of Palo Alto

/s/ Jeannie Bruins  
Mayor of Los Altos

/s/ Patricia Showalter  
Mayor of Mountain View

/s/ Jason Baker  
Mayor of Campbell

/s/ Perry Woodward  
Mayor of Gilroy