

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



103043

DATE: October 6, 2020

TO: Board of Supervisors

FROM: Consuelo Hernandez, Acting Director, Office of Supportive Housing

SUBJECT: Supportive Housing Development Program Update

RECOMMENDED ACTION

Receive report from the Office of Supportive Housing relating to the implementation of the 2016 Measure A Affordable Housing Bond.

FISCAL IMPLICATIONS

There are no fiscal implications associated with this report; however, as part of its agenda on October 6, 2020, the Board will consider financial support of several acquisitions and one supportive and affordable development in an amount not to exceed \$48,001,600. The County's commitment to would be funded from the 2016 Measure A Affordable Housing Bond (Housing Bond). However, the County may use a different combination of funds or other funding sources if doing so would be advantageous for the County or the developments.

Table 1: Previous & Proposed Housing Bond Commitments

Program Category	Measure A Funds	NPLH Funds¹	Total Commitments
First-Time Homebuyer Down Payment Assistance Loan Program	\$25,000,000		\$25,000,000
Supportive Housing Fund (Acquisition Loans)	\$11,900,000		\$11,900,000
Supportive Housing Development Program – Rounds 1 through 5	\$355,434,646	\$39,700,000	\$395,134,646
Moderate Income Housing	\$20,000,000		\$20,000,000
Previous Approved County Acquisitions	\$9,830,000		\$9,830,000
<i>Proposed Supportive Housing Development Program – Off-cycle project</i>	\$21,900,000		\$21,900,000
<i>Proposed County Acquisitions</i>	\$26,101,600		\$26,101,600
Totals	\$470,166,246	\$39,700,000	\$509,866,246

If the Board approves the off-cycle project and acquisitions, the County’s commitment of Housing Bond funds – for all Housing Bond-related programs – would be \$470,166,246, which is greater than the proceeds from the first bond issuance. At this stage, however, the County is only committing an up-to capital funding amount for each development with actual expenditures taking place over a three-to five-year period. The Administration does not anticipate spending more than \$250,000,000 from the first bond issuance before Spring 2021, which is when the Administration intends to conduct the second bond issuance of \$300,000,000. After the second bond issuance, the Administration will bring forward an appropriation modification request to meet any further funding obligations associated with these seven proposed projects and any Housing Bond related developments or programs that the Board may approve hereafter.

¹ The total commitment of Measure A funds has increased by \$200,000 and the total commitment of No Place Like Home (NPLH) funds has decreased by \$200,000 due to a calculation error in the maximum allowable NPLH commitment to the Gallup and Mesa Apartments project approved on October 22, 2019. The Measure A commitment for Gallup and Mesa is \$2.6M and the NPLH commitment is \$4.4M. The total commitment of up to \$7M did not change.

REASONS FOR RECOMMENDATION

This is the Administration's eleventh Housing Bond implementation report, providing the Board with an update on the County's efforts to: 1) increase homeownership opportunities for lower-income households; and 2) increase the supply of multifamily rental affordable and supportive housing.

Homeownership Opportunities

On June 19, 2018 (Item No. 15), the Board approved program guidelines for the countywide first-time homebuyer assistance program and approved using up to \$25,000,000 for the program, which came to be known as Empower Homebuyers SCC (Empower Homebuyers). The Board also approved an agreement with Housing Trust Silicon Valley (HTSV) to administer Empower Homebuyers. Subsequently, on June 2, 2020 (Item No. 41) the Board approved the first amendment to the agreement.

The program officially launched on November 20, 2018. As of September 1, 2020, HTSV has received 2,618 intake applications and 19 households have purchased a home and three households are currently in escrow. On June 2, 2020, the Board received an update on the program and heard recommendations for supporting the production of below market rate for-sale units.

Multifamily Rental Affordable and Supportive Housing

Status of Previously Approved Projects

Through various actions, the Board approved funding to support twenty-four new construction developments and three acquisition and/or rehabilitation developments. Of the 27 other previously approved developments: four are in operation; six are under construction; two will begin construction in the next 30 days; and 11 have received their entitlements and waiting for an allocation of tax credits and four projects are working on obtaining their entitlements.

As previously reported, all of the developments are experiencing delays. The Administration is proposing to return to the Board on October 20, 2020 with a list of recommendations in response to the Board referral related to the acceleration of Housing Bond funded developments.

Proposed Project & Property Acquisitions

As part of its agenda on October 6, 2020, the Board will consider allocating up to \$48,001,600 to support one off-cycle project, the acquisition of one property, and the transfer of nine parcels controlled by the Roads and Airports Department ("Roads").

Hillview Court, Milpitas: The Hillview Court Milpitas project involves converting an existing Extended Stay America hotel on a 3.2 acre parcel into a 134 unit affordable housing development. If approved, the County's investment of up to \$21,900,000 would contribute to

the conversion of 146 existing rooms into 132 Permanent Supportive Housing (PSH) units, to help individuals and families with special needs obtain and maintain permanent housing.

The developer, Jamboree Housing Corporation, will be submitting a request of an allocation of 132 Section 8 Project Based Vouchers (PBVs) from the Santa Clara County Housing Authority.

Based on the size and/or types of units, the 132 apartments could be occupied by up to 134 people. In addition, two units would be reserved for resident managers. This project would utilize Project Homekey funds from the State. The Board approved the County's application for Project Homekey funding for this project on August 25, 2020 (Item Nos. 64, 65, and 66). More information about each development can be found in the project-specific legislative file that is also being considered by the Board on October 20, 2020.

330 Distel Circle, Los Altos: The County would acquire 0.87 acres of real property located at 330 Distel Circle, Los Altos, CA (the "Property"). The Property is currently improved with a 12,204 square foot building and is used as the Midpeninsula Regional Open Space District (the "District") headquarters. The District would continue to use the existing facility through March 2022. Administration would concurrently work with the City of Los Altos to explore redevelopment of the Property for affordable housing consistent with the County's Supportive Housing Development Program Notice of Funding Availability.

Roads Properties, San José: The Administration has identified nine underutilized properties that no longer serve a Roads purpose and that can be redeveloped into housing. The Administration proposes transferring control of the nine properties from Roads to the Facilities and Fleet Department (FAF). If approved, the recommended action would help preserve five single family homes and would allow OSH to work with a development partner to further explore the development of housing on the remaining four undeveloped parcels. Attachment A provides a summary of each parcel and the intended use for each site. Once transferred, OSH would offer the four undeveloped parcels to the Qualified Pool (QP) of developers. Administration would return to the Board in Spring 2021 with a proposal for each parcel.

Progress toward Production Goals

Shortly after the Housing Bond was approved by voters in November 2016, the County initiated steps to begin implementing the Bond. The Administration set a goal of fully implementing the Housing Bond in ten fiscal years (July 1, 2017 through June 30, 2028).

The County is three years into its ten-year plan, and implementation of the Housing Bond is ahead of schedule. If the off-cycle project is approved, the County would reach approximately 48 percent of its housing production goal. Note that the acquisition of 330 Distel Circle and the transfer of properties from Roads are not currently included in the progress towards goals but the expenses are captured in the Housing Bond funds dedicated to

ELI and VLI housing. Once a development plan is created and approved, any units created through redevelopment will be included in future reports.

If approved, the Board will have committed up to \$377,134,646 or nearly 49 percent of the \$800,000,000 in Housing Bond funds that are dedicated to ELI and VLI housing² and \$20,000,000 or 20 percent of the \$100,000,000 in Housing Bond funds that are dedicated towards moderate income (MI) housing. Table 3a shows how many affordable and supportive housing units are associated with the 24 previously-approved new construction developments, three previously-approved acquisition and rehabilitation projects, and the proposed new construction development.

Table 3a: All Housing Bond-Funded Multifamily Rental Developments

Development	Total Units	Mgr. Units	MI Units³	LI Units⁴	VLI Units	ELI Units	RRH Units	PSH Units	Housing Bond Funds
Twenty-Four Previously Approved New Construction Developments	2,414	32	80	323	419	329	81	1,150	\$326,084,646
Three Previously Approved Acquisition & Rehabilitation Developments	484	3	-	-	29	251	-	201	\$29,150,000
Proposed Acquisition & Rehabilitation Development	134	2					-	13	\$21,900,000
Total	3,032	37	80	323	448	580	81	1,483	\$377,134,646

Table 3a reflects adjustments to one previously approved development. La Avenida Apartments reduced their total number of units by two units resulting in a decrease in the total number of units, including one less PSH unit and one less ELI unit.

Table 3b summarizes the County’s current housing production goals and progress toward those goals if the Hillview Court Milpitas project is approved and constructed. Table 3b only includes newly constructed units and renovated units that will be converted to supportive housing or that will have their affordability levels increased; thus, existing affordable housing units are not counted toward the County’s housing production goals. In addition, Table 3b

² The \$377,134,646 total excludes \$25,000,000 set aside for Empower Homebuyers, \$11,900,000 set aside to assist affordable housing developers acquire land, because the acquisition fund is intended to be a revolving loan fund, \$9,000,000 used to acquire the Western Motel, \$780,000 used to acquire the Driftwood property, \$20,000,000 for MI units at Gateway Tower and \$26,101,600 for the proposed County acquisitions.

³ Moderate income housing units are restricted to households earning up to 120% of AMI

⁴ Low-income housing units are restricted to households earning up to 80% of AMI.

only reflects housing production goals associated with the Housing Bond, which passed in 2016 and began funding projects in 2017.

Table 3b: New Rental Housing Production Goals and Progress

Goal	Previously Approved	Proposed Units	Total Units	Unit Goals	% of Goal Met
PSH to Assist Persons with Disabling Conditions and their Families	1,351	132	1,483	1,800	82%
RRH to Assist Homeless Working Families and Individuals Regain Permanent Housing	81	-	81	1,600	5%
Housing Affordable to ELI Individuals and Families	329	-	329	800	41%
Housing Affordable to VLI Individuals and Families	419	-	419	600	70%
Totals	2,180	132	2,312	4,800	48%

The County and its partners began prioritizing the development of new affordable and supportive housing apartments in 2015.

Underwriting & Financial Feasibility

The County’s underwriting and financial feasibility analysis is completed at three stages during each project’s development phase: 1) at the time an application is submitted to the County for funding; 2) at construction finance closing; and 3) after the construction is complete and the project converts to permanent financing. Each developer is required to provide a pro forma and financial plan when they apply for housing development funds from the County. The financing plan explains in detail the pro forma and assumptions that the developer is using to develop their projections.

During the initial review, OSH prepares a preliminary analysis to: 1) confirm the funding gap; 2) determine the maximum subsidy for the project; and 3) analyze the developer’s financial projections and funding sources. Each project is underwritten to the Board-approved underwriting standards which includes but is not limited to loan terms, developer fee caps, payment of prevailing wages, replacement and operating reserve amounts, operating budget minimums, and cash flow distributions. A consultant is used to peer review OSH’s analysis. The OSH staff also consult with staff from cities that may have also received a funding request from the developer.

The second review is completed once the developer has secured all financing for the project. At this stage, the construction lender, senior lender, and other soft lenders underwrite the development based on the collective requirements of each funding source. If there are inconsistent policies or assumptions have changed, OSH negotiates the County's position to ensure the number of supportive housing units does not change, that costs remain reasonable, that the development remains affordable for at least 55 years, and, to the extent possible, that the County's investment is repaid.

The final and third review is completed post construction to certify that all costs were appropriate, and a final cost certificate is prepared. OSH reviews the final cost certificate and cost savings are used to pay back a portion of the County's loan.

Loan Terms

The final loan amount for the Hillview Court Milpitas development will be contingent upon the final tax credit award and the developer's ability to secure other local, state, and federal funding. In general, loans issued for new construction will be structured as three percent simple interest residual receipt loans, subject to final underwriting, and will be consistent with the updated Supportive Housing Development Program Guidelines that were approved by the Board on August 13, 2019 (Item No. 92).

Timing and Supportive Services

The Board's commitment of capital funds would be paired with a tacit commitment to provide supportive services. Depending on the target population for each development, the County would have to increase and/or redirect existing funding to ensure an adequate level of supportive services would be provided for supportive housing residents. When the services are fully implemented, it is expected that 15 percent to 20 percent of the funding would come from Short-Doyle Medi-Cal for specialty mental health services. Since NPLH-funded PSH units would serve persons who are eligible for services through the County's Behavioral Health Services Department, the County may be able to leverage more Mental Health Services Act and/or Short-Doyle Medi-Cal funds.

Generally, supportive services are fully funded six to eight months prior to the start of project occupancy, depending on the number of supportive housing units in the development, giving the provider sufficient time to work with property managers and developers to locate clients and help clients compile and complete the necessary eligibility documentation and applications.

CHILD IMPACT

While most of the apartments in the proposed developments will be studios or one-bedroom units, there will be a total of 150 two- and three-bedroom units. Some of these affordable and supportive housing units would provide lower income families with children permanent housing opportunities.

SENIOR IMPACT

One of the proposed developments would be restricted for seniors. The development would create 134 apartments.

SUSTAINABILITY IMPLICATIONS

The seven proposed multifamily rental developments will increase permanent housing opportunities for some of Santa Clara County's most vulnerable individuals and families.

BACKGROUND

On August 13, 2019 (Item No. 92), the Board approved updated guidelines for the County's Supportive Housing Development Program. The guidelines establish criteria and priorities for multifamily rental housing development using County housing funds, the bulk of which are from the Housing Bond. On August 15, 2019 the Office of Supportive Housing (OSH) issued a draft Notice of Funding Availability (NOFA), enabling affordable housing developers to formally submit funding requests to the County. On September 6, 2019, the OSH issued the formal NOFA. Unlike traditional procurement processes that have narrow windows for submission, review and selection, the NOFA serves as a call for projects with rolling submission deadlines. The Administration intends to recommend funding developments in cohorts, although individual developments may be brought forward as needed.

To implement the Housing Bond, the Board adopted Resolution BOS-2017-102 approving the issuance and sale of general obligations bonds on August 15, 2017 (Item No. 28). The bond sale for \$250,000,000 was completed on October 26, 2017.

No Place Like Home Funds

On March 14, 2019, the California Department of Housing and Community Development (HCD) awarded the County \$20,478,901 in competitive funds and \$10,262,970 in non-competitive Round 1 NPLH funds. On July 22, 2020, HCD awarded the County \$40,957,802 in competitive funds for Round 2 and an advance for Round 3 NPLH funds. As an Alternative Process County under the NPLH Program, the County receives NPLH funds directly from the State, and administers the funds locally. To implement the NPLH funds, the Board approved the Supportive Housing Development Program Guidelines Version 4 on March 19, 2019 (Item No. 50) and authorized the Administration to issue an updated Notice of Funding Availability.

Homekey Program Funds

On July 16, 2020, HCD released a Notice of Funding Availability (NOFA) to announce the availability of approximately \$600 million of Homekey Program funding. The Homekey Program expands on the success of Project RoomKey and is a statewide effort to rapidly sustain and expand housing for persons experiencing homelessness and impacted by the COVID-19 pandemic. Under the NOFA, people experiencing homelessness or who are at

risk of experiencing homelessness are considered inherently impacted by COVID-19 as they are most likely to have a lower life expectancy, be at a higher risk of infectious and chronic illness and suffer from substance abuse and poor health.

HCD will divide Homekey Program funds into eight regions during a 30-day priority review application period, which begins August 13, 2020. The eight regions are generally aligned with the various Council of Governments (COGs). Projects identified in Homekey Program applications submitted during the priority review period must meet conditions to be occupied within 90 days from the date of acquisition. Any funds remaining after the initial 30-day priority review application period will be distributed among all remaining applications based on a rating and ranking system.

On August 7, 2020, the Administration submitted a joint application with Jamboree for a reservation of Homekey Program funds for the Hillview Court Milpitas project. On August 21, 2020 HCD notified the County that a tentative reservation of funds could be made if the property could be acquired and tenanted in an accelerated timeframe. On August 25, 2020, the Board adopted Resolution BOS-2020-132 authorizing the submission of the application. Shortly after the Board took action to adopt the Resolution, HCD notified OSH the Hillview Court Milpitas had received a tentative reservation of \$29,200,000 in Homekey Program funds towards acquisition and conversion to permanent housing. On Monday, September 20, 2020, OSH received notification that HCD was prepared to enter the award stage of the NOFA process.

CONSEQUENCES OF NEGATIVE ACTION

The Board will not receive the report.

STEPS FOLLOWING APPROVAL

Upon approval, the Clerk of the Board is requested to notify Consuelo Hernandez, Eloiza Murillo-Garcia and Swona Sun in the Office of Supportive Housing.

LINKS:

- **Linked To: 102224 :** Consider recommendations relating to the transfer of nine parcels of County-owned real property from the Roads and Airports Department to the Facilities and Fleet Department at fair market value.
- **Linked To: 102858 :** Public Hearing to consider the purchase of real property located at 330 Distel Circle, Los Altos, for a public purpose. (Supervisorial District Five)
- **Linked To: 100242 :** Approve delegation of authority to the County Executive, or designee, to negotiate, execute, or amend, all legal documents including but not limited to contracts, loan agreements, deeds of trust, promissory notes, subordination agreements, assignment agreements and amendments, ground leases, and estoppels relating to one or more loans to Jamboree Housing Corporation, or affiliate, in an amount not to exceed \$21,900,000 for the conversion of an existing hotel to 134 apartments at Hillview Court Milpitas, following approval by County Counsel as to form and legality, and approval by the Office of the County Executive, and subject to

administration review and approval of final land use entitlement, California Environmental Quality Act (CEQA) and related due diligence matters and other standard requirements set forth in the final documentation. Delegation of Authority shall expire on October 6, 2023.

- **Linked To: 102859 : Adopt Resolution finding the acquisition of the property located at 330 Distel Circle, Los Altos, Assessor's Parcel No. 170-04-051 is exempt from the California Environmental Quality Act (CEQA); finding the acquisition serves a public purpose; and approving a delegation of authority to the County Executive, or designee, to negotiate and execute a Purchase and Sale Agreement and all other agreements and documents necessary or required for the consummation of the purchase of the Property, including but not limited to the Certificate of Acceptance and a short-term leaseback to the Seller, and to take all other necessary action to complete the acquisition, in an amount not to exceed \$10,400,000 following approval by County Counsel as to form and legality, and approval by the Office of the County Executive. Delegation of authority shall expire on September 22, 2022.**