

105756

DATE: May 25, 2021

TO: Board of Supervisors

FROM: Consuelo Hernandez, Director, Office of Supportive Housing

SUBJECT: 2016 Measure A Affordable Housing Bond Report

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 the recommended action. However, as part of its agenda on May 25, 2021, the Board will consider the acquisition of a new property, setting aside funding for The Hub housing development, and a loan increase for the Iamesi Apartments. The County's commitment 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.

As of April 30, 2021, a total of \$620,752,928 has been committed with \$240,675,049 disbursed in eligible program expenditures since July 2017. Attachment A summarizes the current Housing Bond expenditures and projected expenditures through June 30, 2025. Table 1 summarizes the previous and proposed Housing Bond Commitments.

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Program Category	Measure A Funds	NPLH Funds	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 6 (including an off-cycle project from October 6, 2020 and April 20, 2021)	\$466,334,861	\$35,700,000	\$506,034,861
Moderate Income Housing	\$20,000,000		\$20,000,000
Previously Approved County Acquisitions	\$97,518,067		\$97,518,067
Proposed Acquisitions	\$28,000,000		\$28,000,000
The Hub and Iamesi Loan Increase	\$17,127,100		\$17,127,100
Totals	\$665,880,028	\$35,700,000	\$705,580,028

Table 1: Previous and Proposed Housing Bond Commitments

On May 4, 2021 (Item No. 61) the Board approved the issuance of the second tranche of Housing Bond funds totaling \$350,000,000.

REASONS FOR RECOMMENDATION

This is the Administration's 13th Housing Bond implementation report. This report addresses concerns raised by the 2016 Measure A Oversight Committee ("Oversight Committee") and makes recommendations to more clearly define the measures of success for the Housing Bond.

Oversight Committee Report

The Oversight Committee's Fiscal Year 2020-2021 Second Quarter Report is included as part of the Board's May 25, 2021, agenda. The Oversight Committee's primary concern was that the goals of the Housing Bond were not being met because of the time it takes to rehabilitate and/or construct new units. In meetings with the Oversight Committee and its ad-

hoc subcommittee, the Administration has tried to clarify the County's housing production goals, its role, and our efforts to partner with other public agencies, developers, and stakeholders to ensure that Housing Bond funded-units are produced. The County's primary role is to provide low-interest, deferred payment loans so that affordable housing developers can obtain land use entitlements from cities and leverage State, Federal, local, and private financing sources to construct income-restricted apartments.

The Oversight Committee credits the County for expeditiously allocating Housing Bond funds as loans to developers and/or to acquire property to develop permanent affordable and supportive housing. Less than five years after voters approved the \$950 million Housing Bond, the County has allocated over \$705 million. Given that the County's primary role is to help finance affordable housing development, the pace of these allocations is meeting the Board-approved target to finance or complete 4,800 Housing-Bond funded units over a tenyear period (February 7, 2017, Item No. 21). The County's implementation of the Housing Bond and leadership has significantly increased the supply and pipeline of supportive housing. Prior to 2015, there were 247 supportive housing units in Santa Clara County. Since 2015, the County and its partners have increased supportive housing in Santa Clara County by 2,398 units, including 1,817 funded through the Housing Bond. Through various actions, the Board approved funding for 29 new construction projects and five acquisition and/or rehabilitation developments (Attachment B). Of the 34 Housing Bond-funded developments: five are in operation; nine are under construction; four will start construction by June 2021; twelve have received their entitlements and are waiting for an allocation of tax credits; and four are working on obtaining final entitlements.

For each development, the time between site identification and the date the site is ready for occupancy is usually five years. Delays with any phase of the development process yields an overall project delay of approximately six months. All developments are experiencing delays. Attachment B provides the current status of each project. The delays can be attributed to obtaining final entitlements from the local jurisdiction in which the property is located, securing rental subsidies and/or securing financing. More recently, developments faced constraints in the construction supply chain and/or reduced productivity because of the pandemic. While many aspects of affordable housing development are outside of the County's control or authority, the Board has been aware of project delays and the need for the County to actively support removing barriers to development. On March 10, 2020 (Item No. 22) the Board directed Administration to provide periodic reports on strategies to accelerate the allocation of Housing Bond funds and the completion Housing Bond-funded developments.

Administration has been proactively taking measures to reduce the impacts these delays could have on developments previously funded by the Board. The following provides a

summary of actions taken by the Administration to address the delays which were also included in the Oversight Committee's list of concerns:

- 1. Land Use Entitlements. All Housing Bond funded development are subject to land use approval by the host City in which the project is located. The County's role in the entitlement process is to work with City staff and the developer to ensure community engagement is taking place and help answer questions about the County's commitment to providing financing for the development and the services tied to the supportive housing units. To further memorialize these relationships, OSH has developed an incentive program for cities to create local affordable and supportive housing development plans. OSH is working with Destination Home to offer capacity building grants ("Planning Grants") to cities. The purpose of these grants is to support a housing staff position in some cities to help advance supportive housing development goals. For instance, it typically takes twelve (12) to eighteen (18) months to get through the entitlement process. The Destination Home Planning Grant in San Jose has yielded an average time saving of 2.7 months from the average 11.9 months from application submission to approval with the fastest approval taking a little over five (5) months. In addition, the planner has identified areas of opportunity to reduce that time further without jeopardizing engagement with the community. Each development plan is tailored to the local City and includes housing development sites that collectively meet the requirements of the County's Supportive Housing Development Program Notice of Funding Availability (NOFA). For instance, the City of Mountain View's Housing Development Plan includes the development of 200 - 250 supportive housing units. OSH is actively negotiating a memorandum of understanding with the City of Mountain View that includes specific properties that are being developed for affordable and supportive housing. The benefits of this strategy include the opportunity to leverage \$40 million in local housing funds, the ability to financing more developments, and the development of a local plan in alignment with the Community Plan to End Homelessness. The Administration is proposing to bring forward a recommendation to approve the MOU in early Fall 2021 which will include a set aside of Housing Bond funds. Through this partnership the County would ensure that either the City or the County own the property and in instances where it is possible, the County will negotiate a right of first refusal.
- 2. <u>Financing</u>. The Administration's funding strategy relied heavily on the availability of non-competitive tax credits which in practice would have reduced the time developers are waiting to secure tax credits. Most recently, changes to the way that the California Debt Allocation Committee (CDLAC) allocates tax-exempt bonds

non-competitive tax credits. The Administration worked with the Non-Profit Housing Association of Northern California (NPH), developers, and other local governments to propose amendments to CDLAC's regulations to improve Bay Area applicants' competitiveness, including for the rounds that remain in 2021. The amendments proposed included changes to geographic apportionment, tiebreaker, alignment with other California State Housing and Community Development Department programs, high opportunity, and recycling bond scoring. Mayors for the Cities of San Jose, Oakland, and San Francisco and the County of Santa Clara submitted comment letters advocating for these changes (Attachment C). Twenty of 28 members of the Bay Area State Legislative Caucus submitted their own letter expressing concern about Round 1 results and urging changes to CDLAC's regulations. Through this effort, one Housing Bond funded housing development managed to secure an allocation. The Administration will continue to work with NPH, the City of San Jose's Housing Department and others to advocate for changes to CDLAC's regulations. However, a more proactive legislative approach is needed to ensure the changes benefit the County's Housing Bond funded developments.

3. Rental Subsidies. The County's NOFA was developed in partnership with the Santa Clara County Housing Authority (SCCHA) to leverage rental subsidies in Housing Bond funded developments. Through six funding rounds, SCCHA has issued 1,503 Section 8 Project Based vouchers for permanent supportive housing units. In calendar year 2020, SCCHA was unable to make available additional vouchers due in large part with the impact of the pandemic. This prompted the need to develop a strategic plan for future distribution of vouchers in alignment with SCCHA's, the City of San Jose's and the County housing development goals. On May 14, 2021 the SCCHA Board of Commissioners considered a set of recommendations and through this collaborative effort an additional 300 PBV's for Housing Bond funded projects which includes 150 for permanent supportive housing units and 150 for ELI families will be made available. In addition, through this partnership, SCCHA has applied for and received other specialized vouchers referred to as mainstream vouchers. The Administration through OSH will continue to work with SCCHA to identify opportunities to apply for other mainstream vouchers.

The Oversight Committee's report also raised concerns regarding the geographic distribution of Housing Bond funded projects, the low rate of rapid rehousing units being developed, the effectiveness of the SCC Empower Homebuyer Program, and the decline in the leveraging ratio. These concerns can be addressed by providing an update of the strategies to increase the County's Housing Development Pipeline. The Administration has been working on a Board of Supervisors: Mike Wasserman, Cindy Chavez, Otto Lee, Susan Ellenberg, S. Joseph Simitian County Executive: Jeffrey V. Smith Agenda Date: May 25, 2021 few critical strategies to develop a housing development pipeline through County led efforts to acquire property and partner with other governmental and academic institutions. On June 23, 2020 (Item No. 39), the Administration presented several recommendations to further accelerate housing development. Once fully implemented, the results of these strategies will address the additional concerns raised by the Oversight Committee.

- <u>County Led Acquisitions</u>. Specifically, over the past year the Administration has been diligently working on the acquisitions of properties throughout the County with the intent of making them available for the possible development of affordable and supportive housing. Note that this effort includes a partnership with the City of Los Altos for the first ever 100% affordable housing development which would address the concern raised related to geographic distribution. To date \$97,518,067 in Housing Bond proceeds has been set aside for County led acquisitions. Since these acquisitions are primarily being funded with Housing Bond funds there is a point in time impact to the targeted leveraging ratio of 1:3. Once these developments are assigned a development partner and a housing development proposal is prepared, the Administration will ensure that the final proposals for each are leveraging Housing Bond at a 1:3 ratio. Attachment D provides a list of County led sites being made available for housing.
- 2. Partnership with the Valley Transportation Authority. On November 17, 2020 (Item No.54) the Board approved a cost sharing agreement with VTA in an amount not to exceed \$800,000 to fund predevelopment activities including but not limited to architectural review, economic peer review, access impacts, and community outreach. VTA TOD staff has the expertise and bandwidth to quickly advance the development of these four sites in partnerships with OSH staff. The collective effort has the potential to generate up to 550 affordable housing units across four sites. Community engagement efforts have started with the Gilroy Transit Center and the Branham Station. In the coming months, VTA will be hosting additional community engagement sessions for the Braham, Capitol and Berryessa sites.
- 3. <u>Partnerships with academic institutions</u>. The following serves as a summary of the latest activity. Since Fall 2019, Administration through OSH staff has actively been working with several community colleges, school districts and hospital districts. Most of this work was postponed due to the health crisis but the Administration is currently reengaging with three community college districts and one school district. To that end, the Administration is proposing to return to the Board before the end of the calendar year with a set of recommendations.
- 4. <u>First-Time Homebuyer program.</u> The Administration is working on providing an update to the Board on June 22, 2021 related to the Empower Homebuyer Program and several other opportunities for a new homeownership program.

CHILD IMPACT

The recommended action will have no/neutral impact on children and youth.

SENIOR IMPACT

The recommended action will have no/neutral impact on seniors.

SUSTAINABILITY IMPLICATIONS

The recommended action will have no/neutral sustainability implications.

BACKGROUND

Housing Bond Implementation Background

In the Administration's first Housing Bond implementation report (February 7, 2017, Item No. 21) the Office of Supportive Housing (OSH) outlined an approach to addressing a part of the housing crisis affecting Santa Clara County residents, especially extremely low income (ELI) families and individuals with disabling conditions who are disproportionately impacted by the lack of affordable housing. The second report (May 9, 2017, Item No. 13) refined the communitywide goals and proposed programs, outlined a spending plan for the proceeds from the first issuance of bonds, provided better estimates of the resources that the County would need to implement the Housing Bond, and included draft guidelines for the Supportive Housing Development Program. The third report (August 15, 2017, Item No. 27) approved Version 3 of the Guidelines and authorized the Administration to issue a Notice of Funding Availability (NOFA) inviting developers to submit applications for funding.

The fourth report (November 14, 2017, Item No. 20) recommended funding for six (6) new housing developments and the Board allocated up to \$44,830,000 for the construction of a total of 352 affordable and supportive housing units.

The fifth report (June 5, 2018, Item No. 25) recommended funding for four (4) new housing developments and the Board allocated up to \$66,200,000 for the construction of a total of 465 new affordable and supportive housing units.

The sixth report (December 18, 2018, Item No. 39) recommended funding for six new development projects and the Board allocated up to \$94,000,000 for the construction of 620 new units. In addition, the sixth report recommended up to \$29,150,000 in funding for the acquisition and rehabilitation of three existing developments and would improve 484 units.

The seventh report (March 19, 2019, Item No. 50) recommended changes to the existing program guidelines in order to incorporated specific requirements related to the County's allocation of No Place Like Home(NPLH) funds.

The eight report (August 13, 2019, Item No. 92) recommended changes to the existing program guidelines in order to incorporate requirements related to \$100M for innovative

mixed-income housing developments that create opportunities for individuals and families in a broad range of income levels, from persons with disabling conditions to those earning up to 120% of area median income.

The ninth report (October 22, 2019, Item No. 20) recommended funding for two new housing developments and the Board allocated up to \$15,600,000 for the construction of a total of 176 new affordable and supportive units.

The tenth report (March 10, 2020, Item No.13) recommended funding for seven new housing developments and the Board allocated up to \$137,454,646 for the construction of 865 new apartments. In addition, the Board of Supervisors approved referral from Board President Chavez directing Administration to report back on the acceleration of Housing Bond funded developments. The Administration provided a response on June 23, 2020 (Item No. 39) and August 25, 2020 (Item No. 31).

The eleventh report (October 6, 2020, Item No. 28) recommended funding for several acquisitions and one new housing development. The Board allocated up to \$48,001,600 for one off-cycle project, the acquisition of one property, and the transfer of nine parcels controlled by the Roads and Airports Department ("Roads").

The twelfth report (February 23, 2021, Item No. 25) recommended funding for five new housing developments and the Board allocated up to \$106,300,215 for the construction of a total of 566 new affordable and supportive units.

Housing Bond Background

On June 21, 2016 (Item No. 10), the Board of Supervisors unanimously approved placing a \$950,000,000 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.

Santa Clara County voters approved Measure A on November 8, 2016. 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 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

The Board would not receive the report.

STEPS FOLLOWING APPROVAL

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

LINKS:

- Linked To: 101414 : 101414
- Linked To: 102287 : 102287
- Linked To: 103244 : Receive report from the Office of Supportive Housing relating to capacity building grants for mission aligned non-profit developers. (Referral from September 22, 2020 Board of Supervisors meeting, Item No. 11)

ATTACHMENTS:

- Attachment A Expenditure Projections (PDF)
- Attachment B Status of Housing Developments Previously Funded (PDF)
- Attachment C County Comments CDLAC (PDF)
- Attachment D Status of County Led Sites (PDF)
- Report Printout (PDF)

2016 MEASURE A AFFORDABLE HOUSING BOND EXPENDITURE PROJECTIONS

	Amount Programmed	Amount Disbursed	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY2021 Actual and	FY2022 Forecast	2023 Forecast
		(Through 4/30/2021)				Forecast		
Supportive Housing Fund (Acquisition Loans)	\$11,900,000	\$11,900,000	\$11,900,000					
First-Time Homebuyer Program *	\$25,000,000	\$2,971,502		\$115,947	\$1,783,662	\$1,071,894	\$1,500,000	\$ 1,000,000
Supportive Housing Development Program	\$466,334,861	\$155,715,971	\$7,957,772	\$48,024,923	\$49,609,089	\$65,957,545	\$174,066,776	\$120,718,756
Moderate Income Housing	\$ 20,000,000							\$20,000,000
County Acquisitions	\$ 97,518,067	\$ 70,087,574			\$ 9,000,000	\$ 82,826,675	\$5,691,392	
Totals	\$620,752,928	\$240,675,047	\$19,857,772	\$48,140,869	\$60,392,751	\$149,856,113	\$181,258,169	\$141,718,756
*Note: Does not include a projection for loans issued to homebuyers								

Project Name	County Funds	Total Units	Project Status	Projected Lease-Up
The Veranda (Round 1)	\$1,000,000	19	Completed	June 2019
Villas on the Park (Round 1)	\$7,200,000	84	Completed	December 2019
Crossings on Monterey (Round 1)	\$5,800,000	39	Completed	January 2020
Gateway Sr. Apartments (Round 1)	\$7,500,000	75	Completed	July 2020
Leigh Ave. Sr. Apts. (Round 1)	\$13,500,000	64	Construction started in January 2019 and is estimated to be completed in May 2021.	July 2021
Iamesi Village (formerly known as North San Pedro Apts. (Round 2)	\$7,200,000	135	Construction started in March 2019 and is estimated to be completed in October 2021.	December 2021
Markham Plaza I (Round 3)	\$7,000,000	153	Construction completed	December 2020
Calabazas Apartments (formerly Corvin Apartments) (Round 2)	\$29,000,000	145	Construction started in January 2020 and is estimated to be completed in August 2021.	September 2021
Quetzal Gardens (Round 1)	\$9,830,000	71	Construction started in January 2020 and is estimated to be completed in July 2021.	November 2021
Curtner Studios (Round 4)	\$14,950,000	179	Construction started in March 2020 and is estimated to be completed in June 2021.	August 2021
Sango Court Apartments (Round 2)	\$16,000,000	102	Developer has secured final entitlements and is working on resubmitting a tax credit application in Spring 2021.	December 2023

Project Name	County Funds	Total Units	Project Status	Projected Lease-Up
Page Street Apartments (Round 2)	\$14,000,000	82	Construction started in November 2020 and is estimated to be completed in September 2022.	February 2023
Markham Plaza II (Round 3)	\$7,200,000	152	Developer has secured all financing. Construction finance closing is estimated to take place in May 2021 with construction to start in June 2021.	June 2022
Agrihood Senior Apartments (Round 3)	\$23,550,000	165	Developer has secured all financing. Construction finance closing is estimated to take place in May 2021 with construction to start in June 2021.	April 2025
Mariposa Place (formerly West San Carlos Housing) (Round 3)	\$23,100,000	80	Developer has secured final entitlements. Project is working on submitting a tax credit application in May 2021.	May 2024
Blossom Hill Housing (Round 3)	\$19,100,000	147	Developer has secured final entitlements and has secured all financing. Construction is expected to start in June 2021.	January 2024
Vela Apartments (formerly Alum Rock Family Housing (Round 3)	\$15,650,000	87	Construction started in December 2020 and is estimated to be completed in November 2022.	July 2023
Roosevelt Park Apartments (Round 3)	\$14,400,000	80	Developer has secured final entitlements and is working on re- submitting a tax credit application in May 2021.	May 2024

Project Name	County Funds	Total Units	Project Status	Projected Lease-Up
Gallup & Mesa Apartments (Round 4)	\$7,000,000	46	Construction started in April 2021 and is estimated to be completed in October 2022.	January 2023
Auzerais Apartments (Round 4)	\$26,000,000	130	Developer has secured all financing. Construction finance closing is estimated to take place in September 2021 with construction to start in October 2021.	December 2023
PATH Villas at 4th Street (formerly 4 th St & E. Younger) (Round 5)	\$15,000,000	94	Construction started in April 2021 and is estimated to be completed in February 2023.	April 2023
Bascom Apartments (Round 5)	\$15,800,000	79	Developer has secured final entitlements and is working on securing all financing. Project is working on submitting a tax credit application in May 2021.	October 2023
La Avenida Apartments (Round 5)	\$19,000,000	100	Developer is working on securing entitlements, which is anticipated to be approved in Summer 2021.	September 2024
Gateway Tower (Round 5)	\$64,000,000	300	Developer has secured final entitlements and is working on securing all financing.	January 2025
Kifer Senior Apartments (Round 5)	\$14,000,000	80	Developer has secured HCD's HHC funding. Project is working on submitting a tax credit application in May 2021.	August 2023

Project Name	County Funds	Total Units	Project Status	Projected Lease-Up
Moorpark Apartments (Round 5)	\$16,654,646	108	Developer has secured final entitlements. Project has secured all financing and is expected to begin construction June 2021.	February 2023
Algarve Apartments (Round 5)	\$11,500,000	91	Developer has secured final entitlements. Developer plans to submit a tax credit funding application in Fall 2021.	March 2024
Hillview Court (Off- cycle)	\$21,900,000 \$25,000,000 - (Bridge Loan)	134	Developer has acquired property and completed phase 1 lease-up. Project received \$29,200,000 in Homekey Program funds.	December 2021
Casa de Novo (Off-cycle)	\$4,366,667	54	County has acquired property and Developer is operating property as supportive and interim housing. Project received \$8,933,333 in Homekey Program funds.	Fall 2024
Alum Rock Multifamily (Round 6)	\$11,600,000	58	Developer is working on securing entitlements, which are anticipated to be approved Summer 2021.	Fall 2024
Dupont Apartments (Round 6)	\$27,500,000	141	Developer has secured final entitlements and is working on securing all financing.	Spring 2024
The Charles (Round 6)	\$12,480,000	78	Developer is working on securing entitlements, which is anticipated to be approved in Summer 2021.	July 2024
Sunol-West San Carlos Apartments (Round 6)	\$29,720,215	154	Developer is working on securing entitlements, which are anticipated to be approved in Summer 2021.	December 2024
Tamien Station (Round 6)	\$25,000,000	135	Developer has secured final entitlements and is working on securing all financing.	December 2024
Total	\$582,501,528	3,641		

County of Santa Clara Office of the County Executive

County Government Center, East Wing 70 West Hedding Street, 11th Floor San Jose, California 95110 (408) 299-5105



April 23, 2021

California Debt Limit Allocation Committee 915 Capitol Mall Sacramento, CA 95814

RE: Item 13 - Recommendation for Changes to Regulation

Dear Director Robles, Treasurer Ma and CDLAC Committee members,

The County of Santa Clara writes to request that the California Debt Limit Allocation Committee (CDLAC) implement changes to geographic apportionment, tiebreaker, alignment with other HCD programs, high opportunity, and recycling bond scoring prior to making awards for Round 2 allocations. These changes are needed so that projects in Santa Clara County and other Bay Area counties may be competitive for future bond allocations, which further our collective efforts to end homelessness.

Background

Homelessness exacts a human toll, sapping the health, mental health, and economic potential of men, women, and children. Nearly 10,000 Santa Clara County residents experience homelessness on any given night. Without access to supportive housing and deeply affordable housing, residents face long periods of homelessness and may not be able to capitalize on safety-net services.

Reducing and preventing homelessness is a priority for Californians. In 2016, Santa Clara County voters approved Measure A, a \$950 million housing bond (Measure A). With Measure A funds, the County partners with cities, residents, and the affordable and supportive housing community to prioritize and address the housing needs of our community's poorest and most vulnerable residents. The No Place Like Home Program and Multifamily Housing Program have aligned and prioritized their scoring criteria to help end homelessness. Changes to these programs have enabled the County and its partners to leverage state and local funds to accelerate the production of permanent supportive housing (PSH) and housing affordable to extremely low income (ELI) households. As important and impactful as these funding opportunities have been, other investments and resources are required to develop affordable housing.

Allocation of bonds through CDLAC's Qualified Residential Rental Program remains a critical resource to financing affordable housing. Initial results of Round 1 of the CDLAC 2021 competition, however, demonstrate that projects in Santa Clara County and Bay Area cities were nearly shut out of funding in Round 1 based on a preview of self-scores. In Santa Clara County only two new construction, large family projects were included on staff's final recommendation list for allocations.
Board of Supervisors: Mike Wasserman, Cindy Chavez, Otto Lee, Susan Ellenberg, S. Joseph Simitian County Executive: Jeffrey V. Smith

These results will stall the nearly 3,000 desperately needed affordable homes in our Bay Area cities, all slated to compete this year. The County has committed millions of 2016 Measure A housing bond funds into pipeline projects that are not all large family, 100% homeless, or located in high resource areas – meaning most of these will not qualify for the full 120 points. With a score of 119, these projects become subject to the tiebreaker, which remains largely driven by costs per unit. The adjusters included in the current regulations, while much appreciated, simply do not account for the real cost of constructing housing in Santa Clara County's and the rest of the Bay Area's cities, including in jobs-and transit-rich hubs, and will stall our most shovel-ready projects.

The County of Santa Clara joins the mayors for the Bay Area's three largest cities of San José, San Francisco, and Oakland in expressing alarm over Round 1 results and the lack of awards for projects in Bay Area cities. Further, under the current CDLAC scoring system, projects in most of our Bay Area cities are unlikely to be competitive for any bond allocation at all this year.

Recommendations

The County urges the CDLAC to implement changes to geographic apportionment, tiebreaker, alignment with other HCD programs, high opportunity, and recycling bond scoring prior to making awards for Round 2 allocations. Details for these recommendations follow.

Geographic Apportionments

The Bay Area regional pool is underfunded at 17% of all the geographic regions. In Round 1, the Bay Area geographic region was the most oversubscribed, representing 29% of statewide demand but receiving only 9% of the statewide. The Bay Area's regional allocation should be increased to at least 24% to proportionately produce a similar number of units relative to its population size and cost compared with other regions. In general, we encourage CDLAC to size the regional pools based on historical demand for allocation or at least align with Regional Housing Needs Assessment affordable housing allocations – which argues for an even larger percentage allocation. (Refer to Section 5022.)

<u>Tiebreaker</u>

A bond allocation system that shuts out most of the Bay Area's cities is untenable. Therefore, starting in Round 2, we recommend revising the 30% statewide basis delta cap in the tiebreaker to 60%, with a downward adjuster. The current 30% cap does not adequately address the cost differences between regions with very different cost structures. The tiebreaker must be based on equalized basis limits across regions to recognize the vastly different costs of construction in a state as vast and diverse as California. Capping the statewide basis delta at 30% does not accurately reflect the cost of construction in the Bay Area and other parts of the State. (Refer to Section 5231(g)(1))

Prioritize HCD-Funded Projects

We urge the CDLAC to align statewide housing policy with the billions of dollars of investment made by HCD by providing 1 bonus point in the CDLAC scoring system to projects with committed HCD funding. These public benefit projects are shovel-ready and should be prioritized. Without alignment, the State is increasing risk to its significant level of investment in these projects, and its ability to implement its statewide policy goals. (Refer to Section 5030(j)) <u>Alignment with Local Investments: Retool High Opportunity Scoring and Recycled Bond Leveraging</u> Projects in Santa Clara County have secured significant local investments in addition to the state awards discussed above. We ask that CDLAC create a separate pool for High Opportunity projects and/or phase in this policy after funding the current pipeline. While we applaud the State's prioritization of locating affordable housing in High Opportunity Areas, large areas of some Santa Clara County cities have been designated Low or Moderate Opportunity, even in rapidly gentrifying neighborhoods that need affordable housing the most. The County and cities in Santa Clara County have invested deeply in place-based strategies with our local dollars and publicly-owned sites, and the County asks that the State support our existing investments in housing for low and moderate resourced communities that are most vulnerable to the pressures of displacement. (Refer to Section 5030(j))

In addition, local investment and subsidy sources, like Measure A, are being devalued by the leveraging advantage assigned to recycled bonds. By eliminating this leveraging advantage for recycled bonds, the scoring will reflect the State's intent of providing points to projects that have leveraged new funding support, which is often from voter approved, local funding measures that are awaiting results from their self-imposed taxes. (Refer to Section 5230(h))

Importance of Changes Now

The County and cities in Santa Clara County have made commitments to invest in affordable housing for all residents and continue to do so in light of the pandemic, which is exacerbating the housing and homelessness crisis. We seek to further the State's goals of delivering affordable housing and reducing greenhouse gas, however, shovel-ready projects in cities' pipelines cannot move forward without bond allocations. It is critical that CDLAC revise the geographic apportionment, tiebreaker calculation, and alignment with other State and local programs, or else most of cities in Santa County and the rest of the Bay Area will continue to be shut out of bond allocations.

We greatly appreciate your consideration and urge you to move forward with these suggested changes to ensure that projects with existing state investments and those that will serve households with the highest needs will be able to move forward first. Thank you, again, for collaborating with communities across California as they strive to end homelessness.

Sincerely,

Jeffrey V. Smith, M.D., J.D. County Executive

cc: Gina Ferguson, Development Section Chief, State Treasurer's Office
Kate Ferguson, Director of Multifamily Programs, California Housing Finance Agency
Gayle Miller, Chief Deputy Director, Policy, Department of Finance
Zachary Olmstead, Chief Deputy Director, California Department of Housing and Community Development
Anthony Sertich, Deputy Controller, State Controller's Office

COUNTY LED ACQUISITIONS MANAGED PIPELINE PROGRESS REPORT

Address	Developer	Supervisorial District	Status	Notes
Request for Offer Round 1				
330 Distel Circle, Los Altos	EAH Housing	5	Design	Developer working on community engagement plan and land use approval
525 East Charleston, Palo Alto	Eden Housing	5	Design	Developer working on community engagement plan and land use approval
1510 Parkmoor Avenue, San Jose	Allied Housing	4	Developer Selection	Developer working on community engagement and land use approval
East Santa Clara, San Jose	TBD	2	Out to bid	Proposals are due June 1, 2021
County Acquired (Pre-RFO)		- ·		·
10591 North De Anza Blvd, Cupertino	TBD	5	Acquisition	Scheduling community listening sessions
1870 / 1888 Senter Road, San Jose	TBD	2	Acquisition	Scheduling community listening sessions
Valley Transportation Authority, Transit Or	iented Development Partr	nerships		
Branhma Lane @Narvaez, San Jose	TBD	1	Design	Scheduling second community meeting
Monterey Highway @7th Street, Gilroy	TBD	1	Design	Held four community meetings and working on drafting a request for offer to select a development partner
Mabury Road and Berryessa Station Way, San Jose	TBD	3	Design	Scheduling community listening sessions
Southeast Capitol Expressway, San Jose	TBD	2	Design	Scheduling community listening sessions
County Acquired with Option to Develop				
3075 Driftwood, San Jose	Charities Housing	4	Acquisition	County scheduled to acquire property May 2021
3071 Driftwood, San Jose	Charities Housing	4	Design	Developer working on community engagement plan
2250 El Camino Real, Santa Clara	Charities Housing	4	Design	El Camino Real precise plan pending; scheduling listening sessions for Fall 2021



105756

DATE: May 25, 2021

TO: Board of Supervisors

FROM: Consuelo Hernandez, Director, Office of Supportive Housing

SUBJECT: 2016 Measure A Affordable Housing Bond Report

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 the recommended action. However, as part of its agenda on May 25, 2021, the Board will consider the acquisition of a new property, setting aside funding for The Hub housing development, and a loan increase for the Iamesi Apartments. The County's commitment 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.

As of April 30, 2021, a total of \$620,752,928 has been committed with \$240,675,049 disbursed in eligible program expenditures since July 2017. Attachment A summarizes the current Housing Bond expenditures and projected expenditures through June 30, 2025. Table 1 summarizes the previous and proposed Housing Bond Commitments.

Program Category	Measure A Funds	NPLH Funds	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 6 (including an off-cycle project from October 6, 2020 and April 20, 2021)	\$466,334,861	\$35,700,000	\$506,034,861
Moderate Income Housing	\$20,000,000		\$20,000,000
Previously Approved County Acquisitions	\$97,518,067		\$97,518,067
Proposed Acquisitions	\$28,000,000		\$28,000,000
The Hub and Iamesi Loan Increase	\$17,127,100		\$17,127,100
Totals	\$665,880,028	\$35,700,000	\$705,580,028

Table 1: Previous and Proposed Housing Bond Commitments

On May 4, 2021 (Item No. 61) the Board approved the issuance of the second tranche of Housing Bond funds totaling \$350,000,000.

REASONS FOR RECOMMENDATION

This is the Administration's 13th Housing Bond implementation report. This report addresses concerns raised by the 2016 Measure A Oversight Committee ("Oversight Committee") and makes recommendations to more clearly define the measures of success for the Housing Bond.

Oversight Committee Report

The Oversight Committee's Fiscal Year 2020-2021 Second Quarter Report is included as part of the Board's May 25, 2021, agenda. The Oversight Committee's primary concern was that the goals of the Housing Bond were not being met because of the time it takes to rehabilitate and/or construct new units. In meetings with the Oversight Committee and its ad-

hoc subcommittee, the Administration has tried to clarify the County's housing production goals, its role, and our efforts to partner with other public agencies, developers, and stakeholders to ensure that Housing Bond funded-units are produced. The County's primary role is to provide low-interest, deferred payment loans so that affordable housing developers can obtain land use entitlements from cities and leverage State, Federal, local, and private financing sources to construct income-restricted apartments.

The Oversight Committee credits the County for expeditiously allocating Housing Bond funds as loans to developers and/or to acquire property to develop permanent affordable and supportive housing. Less than five years after voters approved the \$950 million Housing Bond, the County has allocated over \$705 million. Given that the County's primary role is to help finance affordable housing development, the pace of these allocations is meeting the Board-approved target to finance or complete 4,800 Housing-Bond funded units over a tenyear period (February 7, 2017, Item No. 21). The County's implementation of the Housing Bond and leadership has significantly increased the supply and pipeline of supportive housing. Prior to 2015, there were 247 supportive housing units in Santa Clara County. Since 2015, the County and its partners have increased supportive housing in Santa Clara County by 2,398 units, including 1,817 funded through the Housing Bond. Through various actions, the Board approved funding for 29 new construction projects and five acquisition and/or rehabilitation developments (Attachment B). Of the 34 Housing Bond-funded developments: five are in operation; nine are under construction; four will start construction by June 2021; twelve have received their entitlements and are waiting for an allocation of tax credits; and four are working on obtaining final entitlements.

For each development, the time between site identification and the date the site is ready for occupancy is usually five years. Delays with any phase of the development process yields an overall project delay of approximately six months. All developments are experiencing delays. Attachment B provides the current status of each project. The delays can be attributed to obtaining final entitlements from the local jurisdiction in which the property is located, securing rental subsidies and/or securing financing. More recently, developments faced constraints in the construction supply chain and/or reduced productivity because of the pandemic. While many aspects of affordable housing development are outside of the County's control or authority, the Board has been aware of project delays and the need for the County to actively support removing barriers to development. On March 10, 2020 (Item No. 22) the Board directed Administration to provide periodic reports on strategies to accelerate the allocation of Housing Bond funds and the completion Housing Bond-funded developments.

Administration has been proactively taking measures to reduce the impacts these delays could have on developments previously funded by the Board. The following provides a

summary of actions taken by the Administration to address the delays which were also included in the Oversight Committee's list of concerns:

- 1. Land Use Entitlements. All Housing Bond funded development are subject to land use approval by the host City in which the project is located. The County's role in the entitlement process is to work with City staff and the developer to ensure community engagement is taking place and help answer questions about the County's commitment to providing financing for the development and the services tied to the supportive housing units. To further memorialize these relationships, OSH has developed an incentive program for cities to create local affordable and supportive housing development plans. OSH is working with Destination Home to offer capacity building grants ("Planning Grants") to cities. The purpose of these grants is to support a housing staff position in some cities to help advance supportive housing development goals. For instance, it typically takes twelve (12) to eighteen (18) months to get through the entitlement process. The Destination Home Planning Grant in San Jose has yielded an average time saving of 2.7 months from the average 11.9 months from application submission to approval with the fastest approval taking a little over five (5) months. In addition, the planner has identified areas of opportunity to reduce that time further without jeopardizing engagement with the community. Each development plan is tailored to the local City and includes housing development sites that collectively meet the requirements of the County's Supportive Housing Development Program Notice of Funding Availability (NOFA). For instance, the City of Mountain View's Housing Development Plan includes the development of 200 - 250 supportive housing units. OSH is actively negotiating a memorandum of understanding with the City of Mountain View that includes specific properties that are being developed for affordable and supportive housing. The benefits of this strategy include the opportunity to leverage \$40 million in local housing funds, the ability to financing more developments, and the development of a local plan in alignment with the Community Plan to End Homelessness. The Administration is proposing to bring forward a recommendation to approve the MOU in early Fall 2021 which will include a set aside of Housing Bond funds. Through this partnership the County would ensure that either the City or the County own the property and in instances where it is possible, the County will negotiate a right of first refusal.
- 2. <u>Financing</u>. The Administration's funding strategy relied heavily on the availability of non-competitive tax credits which in practice would have reduced the time developers are waiting to secure tax credits. Most recently, changes to the way that the California Debt Allocation Committee (CDLAC) allocates tax-exempt bonds

non-competitive tax credits. The Administration worked with the Non-Profit Housing Association of Northern California (NPH), developers, and other local governments to propose amendments to CDLAC's regulations to improve Bay Area applicants' competitiveness, including for the rounds that remain in 2021. The amendments proposed included changes to geographic apportionment, tiebreaker, alignment with other California State Housing and Community Development Department programs, high opportunity, and recycling bond scoring. Mayors for the Cities of San Jose, Oakland, and San Francisco and the County of Santa Clara submitted comment letters advocating for these changes (Attachment C). Twenty of 28 members of the Bay Area State Legislative Caucus submitted their own letter expressing concern about Round 1 results and urging changes to CDLAC's regulations. Through this effort, one Housing Bond funded housing development managed to secure an allocation. The Administration will continue to work with NPH, the City of San Jose's Housing Department and others to advocate for changes to CDLAC's regulations. However, a more proactive legislative approach is needed to ensure the changes benefit the County's Housing Bond funded developments.

3. Rental Subsidies. The County's NOFA was developed in partnership with the Santa Clara County Housing Authority (SCCHA) to leverage rental subsidies in Housing Bond funded developments. Through six funding rounds, SCCHA has issued 1,503 Section 8 Project Based vouchers for permanent supportive housing units. In calendar year 2020, SCCHA was unable to make available additional vouchers due in large part with the impact of the pandemic. This prompted the need to develop a strategic plan for future distribution of vouchers in alignment with SCCHA's, the City of San Jose's and the County housing development goals. On May 14, 2021 the SCCHA Board of Commissioners considered a set of recommendations and through this collaborative effort an additional 300 PBV's for Housing Bond funded projects which includes 150 for permanent supportive housing units and 150 for ELI families will be made available. In addition, through this partnership, SCCHA has applied for and received other specialized vouchers referred to as mainstream vouchers. The Administration through OSH will continue to work with SCCHA to identify opportunities to apply for other mainstream vouchers.

The Oversight Committee's report also raised concerns regarding the geographic distribution of Housing Bond funded projects, the low rate of rapid rehousing units being developed, the effectiveness of the SCC Empower Homebuyer Program, and the decline in the leveraging ratio. These concerns can be addressed by providing an update of the strategies to increase the County's Housing Development Pipeline. The Administration has been working on a Board of Supervisors: Mike Wasserman, Cindy Chavez, Otto Lee, Susan Ellenberg, S. Joseph Simitian County Executive: Jeffrey V. Smith few critical strategies to develop a housing development pipeline through County led efforts to acquire property and partner with other governmental and academic institutions. On June 23, 2020 (Item No. 39), the Administration presented several recommendations to further accelerate housing development. Once fully implemented, the results of these strategies will address the additional concerns raised by the Oversight Committee.

- <u>County Led Acquisitions</u>. Specifically, over the past year the Administration has been diligently working on the acquisitions of properties throughout the County with the intent of making them available for the possible development of affordable and supportive housing. Note that this effort includes a partnership with the City of Los Altos for the first ever 100% affordable housing development which would address the concern raised related to geographic distribution. To date \$97,518,067 in Housing Bond proceeds has been set aside for County led acquisitions. Since these acquisitions are primarily being funded with Housing Bond funds there is a point in time impact to the targeted leveraging ratio of 1:3. Once these developments are assigned a development partner and a housing development proposal is prepared, the Administration will ensure that the final proposals for each are leveraging Housing Bond at a 1:3 ratio. Attachment D provides a list of County led sites being made available for housing.
- 2. Partnership with the Valley Transportation Authority. On November 17, 2020 (Item No.54) the Board approved a cost sharing agreement with VTA in an amount not to exceed \$800,000 to fund predevelopment activities including but not limited to architectural review, economic peer review, access impacts, and community outreach. VTA TOD staff has the expertise and bandwidth to quickly advance the development of these four sites in partnerships with OSH staff. The collective effort has the potential to generate up to 550 affordable housing units across four sites. Community engagement efforts have started with the Gilroy Transit Center and the Branham Station. In the coming months, VTA will be hosting additional community engagement sessions for the Braham, Capitol and Berryessa sites.
- 3. <u>Partnerships with academic institutions</u>. The following serves as a summary of the latest activity. Since Fall 2019, Administration through OSH staff has actively been working with several community colleges, school districts and hospital districts. Most of this work was postponed due to the health crisis but the Administration is currently reengaging with three community college districts and one school district. To that end, the Administration is proposing to return to the Board before the end of the calendar year with a set of recommendations.
- 4. <u>First-Time Homebuyer program.</u> The Administration is working on providing an update to the Board on June 22, 2021 related to the Empower Homebuyer Program and several other opportunities for a new homeownership program.

CHILD IMPACT

The recommended action will have no/neutral impact on children and youth.

SENIOR IMPACT

The recommended action will have no/neutral impact on seniors.

SUSTAINABILITY IMPLICATIONS

The recommended action will have no/neutral sustainability implications.

BACKGROUND

Housing Bond Implementation Background

In the Administration's first Housing Bond implementation report (February 7, 2017, Item No. 21) the Office of Supportive Housing (OSH) outlined an approach to addressing a part of the housing crisis affecting Santa Clara County residents, especially extremely low income (ELI) families and individuals with disabling conditions who are disproportionately impacted by the lack of affordable housing. The second report (May 9, 2017, Item No. 13) refined the communitywide goals and proposed programs, outlined a spending plan for the proceeds from the first issuance of bonds, provided better estimates of the resources that the County would need to implement the Housing Bond, and included draft guidelines for the Supportive Housing Development Program. The third report (August 15, 2017, Item No. 27) approved Version 3 of the Guidelines and authorized the Administration to issue a Notice of Funding Availability (NOFA) inviting developers to submit applications for funding.

The fourth report (November 14, 2017, Item No. 20) recommended funding for six (6) new housing developments and the Board allocated up to \$44,830,000 for the construction of a total of 352 affordable and supportive housing units.

The fifth report (June 5, 2018, Item No. 25) recommended funding for four (4) new housing developments and the Board allocated up to \$66,200,000 for the construction of a total of 465 new affordable and supportive housing units.

The sixth report (December 18, 2018, Item No. 39) recommended funding for six new development projects and the Board allocated up to \$94,000,000 for the construction of 620 new units. In addition, the sixth report recommended up to \$29,150,000 in funding for the acquisition and rehabilitation of three existing developments and would improve 484 units.

The seventh report (March 19, 2019, Item No. 50) recommended changes to the existing program guidelines in order to incorporated specific requirements related to the County's allocation of No Place Like Home(NPLH) funds.

The eight report (August 13, 2019, Item No. 92) recommended changes to the existing program guidelines in order to incorporate requirements related to \$100M for innovative

mixed-income housing developments that create opportunities for individuals and families in a broad range of income levels, from persons with disabling conditions to those earning up to 120% of area median income.

The ninth report (October 22, 2019, Item No. 20) recommended funding for two new housing developments and the Board allocated up to \$15,600,000 for the construction of a total of 176 new affordable and supportive units.

The tenth report (March 10, 2020, Item No.13) recommended funding for seven new housing developments and the Board allocated up to \$137,454,646 for the construction of 865 new apartments. In addition, the Board of Supervisors approved referral from Board President Chavez directing Administration to report back on the acceleration of Housing Bond funded developments. The Administration provided a response on June 23, 2020 (Item No. 39) and August 25, 2020 (Item No. 31).

The eleventh report (October 6, 2020, Item No. 28) recommended funding for several acquisitions and one new housing development. The Board allocated up to \$48,001,600 for one off-cycle project, the acquisition of one property, and the transfer of nine parcels controlled by the Roads and Airports Department ("Roads").

The twelfth report (February 23, 2021, Item No. 25) recommended funding for five new housing developments and the Board allocated up to \$106,300,215 for the construction of a total of 566 new affordable and supportive units.

Housing Bond Background

On June 21, 2016 (Item No. 10), the Board of Supervisors unanimously approved placing a \$950,000,000 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.

Santa Clara County voters approved Measure A on November 8, 2016. 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 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

The Board would not receive the report.

STEPS FOLLOWING APPROVAL

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

LINKS:

- Linked To: 101414 : Under advisement from March 10, 2020 (Item No. 22): Receive report from the Office of Supportive Housing relating to recommendations regarding the acceleration of 2016 Measure A Affordable Housing Bond development.
- Linked To: 102287 : Under advisement from the June 23, 2020 (Item No. 39): Receive report from the Office of Supportive Housing relating to the acceleration of the 2016 Measure A Affordable Housing Bond.
- Linked To: 103244 : Receive report from the Office of Supportive Housing relating to capacity building grants for mission aligned non-profit developers. (Referral from September 22, 2020 Board of Supervisors meeting, Item No. 11)

ATTACHMENTS:

- Attachment A Expenditure Projections (PDF)
- Attachment B Status of Housing Developments Previously Funded (PDF)
- Attachment C County Comments CDLAC (PDF)
- Attachment D Status of County Led Sites (PDF)