



DATE: October 18, 2016
TO: Mayor and Council
FROM: Director of Library and Community Services

SUBJECT

Informational Review and Discussion of the Alameda County-Wide General Obligation Bond Issuance for Affordable Housing Proposal (County Measure A1)

RECOMMENDATION

That Council reviews and comments on this report

BACKGROUND

In response to the housing affordability crisis in Alameda County, early this year the County Board of Supervisors (BOS) directed its Department of Housing and Community Development (HCD) staff to explore the possibility of a County-Wide General Obligation (GO) Bond issuance to generate revenues for affordable housing-related programs and projects.

Consequently, during the spring of this year, the Health Committee of the BOS conducted a series of informational work sessions to inform the public and seek input on the GO Bond issuance proposal. County supervisors also conducted outreach efforts in their own districts to seek input on the housing bond and affordable housing-related matters through stakeholder and town-hall meetings.

HCD staff's extensive outreach efforts, which led to the drafting of the final bond measure language and authorizing resolution, included a presentation by the County HCD Director at a work session conducted by the City Council during its May 17, 2016 regular meeting.¹

On June 28, 2016, the BOS authorized the placement of a ballot measure seeking voter approval of the GO Bond in the upcoming November 2016 general elections. The resulting ballot measure is known as County Measure A1.

DISCUSSION

¹ The corresponding staff report may be found at [this link](http://bit.ly/go-bond). <<http://bit.ly/go-bond>>

Programmatic Model Changes. While the current programmatic model of the proposed bond issuance contains most of the same elements described during the May 17, 2016 presentation to Council by County HCD staff, there have been some major changes to the bond issuance proposal since that date. The major changes are as follows:

- **Bond Amount:** The previously proposed GO Bond issuance amount was a total of \$500 million. As approved by the BOS and placed on the ballot, the proposed GO Bond issuance is now a total of \$580 million.
- **Inclusion of a Homeownership Development Program:** The previously proposed programmatic model included no funding for homeownership projects including projects under the Habitat for Humanity low-income homeownership, sweat-equity model. As approved by the BOS and placed on the ballot, the GO Bond proposal now includes a total of \$25 million for affordable homeownership development.
- **Increased Funding for the Home Preservation Loan Program:** At the May 17, 2016 Council presentation, the proposed portion of GO Bond proceeds to be earmarked for this program was a total of \$15 million. As approved by the BOS and placed on the ballot, the GO Bond proposal now includes a total of \$45 million. However, the net funding increase for homeownership preservation is not \$30 million but \$20 million, because the previous programmatic proposal also included a separate Accessibility Loan Program (estimated to be funded at \$10 million) which is now also included in the overall Home Preservation Loan Program.
- **Increased Funding for Affordable Rental Development:** The previously proposed portion of the bond proceeds for affordable rental housing was \$400 million. As approved by the BOS and placed on the ballot, the portion for affordable rental housing now is a total of \$425 million.

Council Input and Staff Concerns. For the most part, Council expressed its support of the GO Bond issuance and the proposed programmatic structure as explained by HCD staff in May. However, Council expressed some concerns around three areas:

1. **Municipal control and administration of bond proceeds in locally operated programs.** The proposed programmatic design includes no avenue for local jurisdictions to administer and/or augment existing programs utilizing a direct allocation of bond proceeds, such as those proceeds earmarked for Housing Rehabilitation Programs and First Time Homebuyer Programs;
2. **Equitable investment of bond proceeds.** Some of the proposed apportionment methods, particularly the proposed \$200 million for rental housing development in the regional pools, include no guarantee that an equitable investment of bond proceeds for affordable housing will be made in Hayward vis- à-vis other areas of the County;

3. **Homeownership development programs.** The absence of a homeownership development program that could benefit homeownership projects under the Habitat for Humanity sweat-equity model.

Staff is pleased that one of Council and staff's concerns—concern number three (3), above—was resolved in the final version of the GO Bond now on the ballot. However, two of the concerns outlined above remain unresolved.

Unresolved concern #1: Equitable investment of bond proceeds. As it is currently written, the GO Bond includes no guarantee that an equitable investment of “regional pool” affordable rental housing bond proceeds will be made in Hayward vis-à-vis other areas of the County. It remains unclear how or whether the regional funding pool for rental housing development will be equitably distributed among the jurisdictions in a specific region as the program progresses. For example, under the proposed structure, Hayward would have to compete for regional pool funds with other jurisdictions in the mid-county area which includes the cities of Alameda and San Leandro as well as Unincorporated Alameda County.

As it is written and placed on the ballot, the GO Bond language includes no guarantees that an equitable portion, or even any portion, of this regional pool would be allocated to projects in Hayward. This concern about equitable distribution of bond proceeds for affordable rental housing projects also extends to some of the bond's proposed programmatic applications, including the Minor Rehabilitation and Down Payment Assistance programs.

Unresolved concern #2: Municipal administration of existing programs using bond proceeds. The second major concern from Council and staff which remains unresolved is that the GO Bond proposal does not include the option for cities to directly receive bond allocations and/or reimbursements to operate and/or expand existing City-operated programs that meet the programmatic intent of the bond. Rather, the GO Bond proposal appears to preclude the use of bond proceeds to support municipally-operated programs, and appears to show the intent to use bond proceeds to potentially create and operate duplicative services in the Hayward community, in some cases possibly through the use of third-party contractors.

At the May 17 Council presentation, Council members expressed to HCD staff that it would be highly desirable for the GO Bond to include an allocation model that would specifically include the option for bond proceeds earmarked for Minor Rehabilitation Programs to be directly allocated and/or reimbursed to the City to augment its existing Housing Rehabilitation Program, as opposed to using bond proceeds to create a second duplicative program operated by the County or by a contractor engaged by the County.

Concern was also expressed by staff and Council that the GO Bond language includes no guarantee that the bond proceeds earmarked for Minor Rehabilitation Programs will be equitably distributed to benefit Hayward residents compared to residents of other areas of the County.

Creating the option for direct allocation or reimbursement of bond proceeds to the City's own long-standing local Housing Rehabilitation Program would: a) prevent duplication of scarce

resources and make more efficient use of bond proceeds; b) allow the City to continue implementing its best practices through a successful program; and, c) perhaps most importantly, guarantee that local residents will be positioned to benefit from an equitable share of bond proceeds.

In addition to the Minor Rehabilitation Program, staff has strongly suggested that the County considers an allocation model for its homeownership programs, including the Down Payment Assistance Loan Program (DAP).

During the decade prior to the dissolution of Redevelopment by the State legislature, the City administered a successful First-Time Homebuyer DAP. Due to the importance of homeownership for the City—Hayward has one of the lowest homeownership rates in Alameda County—Council directed staff to develop options and a proposal to revisit and potentially restart the First-Time Homebuyer DAP by utilizing Housing Authority/former Low-Mod Housing funds.

The GO Bond proposal includes no options for cities to leverage, complement, or augment locally sourced DAP funding using bond proceeds. The GO Bond calls for both the DAP and Home Preservation Loan programs to be administered by the County or by a third-party consultant. Furthermore, the GO Bond calls for the funding to be offered on first-come, first-served basis, with no guarantee of equitable distribution to benefit Hayward compared to residents of other areas of the County.

ECONOMIC IMPACT

If approved, the GO Bond proceeds would provide an important new resource for developing affordable rental housing and providing affordable homeownership opportunities in Hayward and would assist the City towards accomplishing its Regional Housing Need Allocation (RHNA) goals and the policy goals laid out in the Housing Element of the City's General Plan, which includes the goal of assisting in the provision of "housing that meets the needs of all socio-economic segments of the community."

It is estimated that the increase on the property owners' tax bill as a result of the bond indebtedness would be approximately \$12.00 per \$100,000 of the assessed value of each property annually. The current average assessed value of properties in Alameda County is approximately \$400,000. This additional potential tax burden on property owners may have some marginal economic impacts, but given the tax's relatively modest rate, the impacts it may have in and of itself, if any, are not likely to be significant.

FISCAL IMPACT

If approved by the voters, the Alameda County-Wide GO Bond issuance would have no financial impact to Hayward's General Fund, and would potentially have a significant positive impact to the City's housing-related special revenue funds. The current GO Bond proposal requires local jurisdictions to provide a financial contribution toward rental projects that receive a funding allocation from the GO Bond. This would present a potential impact but also

a leveraging opportunity for Hayward's affordable housing funds, which must be used to create rental projects in any event. Any local contribution to future specific projects would still require review and approval by Council.

SUSTAINABILITY FEATURES

For affordable housing development proposals to become competitive for other sources of funding, they must be located near transit and include energy-efficient and sustainable features that exceed the applicable standards. These two elements are major criteria in the Low Income Housing Tax Credit Program, for example.

The requirement to include energy-efficient and sustainable features is intended to guarantee that affordable developments are financially viable for the long term. Energy savings are essential to achieve that long-term viability – besides guaranteeing that the housing expenses of tenants are low or minimal.

As housing becomes increasingly unaffordable, many households are forced to move out of their communities and, as they move farther away, they have to spend a larger part of their incomes on transportation while adding further pressure to the already congested system of roads and freeways. Thus, the requirement to be located near transit will help reduce traffic congestion and help free up the income (especially) of very low and extremely low income households to pay for other necessary expenses such as education, childcare, and food.

To the extent that bond proceeds will help Hayward affordable housing development proposals compete for and/or leverage other sources of funding, the bond proceeds would help: a) reduce area traffic impacts, and b) the City to achieve other local sustainability goals.

PUBLIC CONTACT

The following are the public outreach milestones that led to the placement of the GO bond for affordable housing measure (Measure A1) in the November 2016 election ballot:

- As mentioned earlier in this report, in the spring of 2016, the Alameda County BOS held a series of work sessions and public stakeholder meetings for the purpose of seeking public input and developing the authorizing resolution and related GO bond measure language.
- At a work session conducted during its May 17, 2016 regular meeting, the City Council held a discussion of the GO bond issuance proposal that included a presentation by the Director of the County HCD.
- On June 28, 2016, the BOS took the necessary actions to place the bond measure, Measure A1, on the November 2016 ballot for consideration by the voters in Alameda County.

NEXT STEPS

In a legislative item later during this October 18, 2016 meeting, Council will have the opportunity to express its support of the GO Bond (County Measure A1) through the approval of a resolution in support of the measure. Further information on the actual measure language is included in the staff report accompanying that item.

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Recommended by: Sean Reinhart, Director of Library and Community Services

Approved by:



Kelly McAdoo, City Manager