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MEMORANDUM

TO: Supervisor Wilma Chan
Supervisor Keith Carson
Board of Supervisors Health Committee

FROM: Chris Bazar, Director, Community Development Agency
Linda Gardner, Housing Director, Housing and Community Development

DATE: January 23, 2017

SUBJECT: Measure A1 Housing Bond Implementation Plan Overview

Measure A1, the Countywide Housing Bond, was passed by over 73% of the voters in November. Attached as Exhibit A is the draft plan for the implementation of the Bond program which is focused on the initial implementation period through June 2018.

Summary of Housing Bond Programs

The \$580 million countywide Housing Bond program, adopted by your Board on June 28, 2016, will fund three programs related to homeownership and two rental housing development programs.

The homeownership programs include:

- 1) Down Payment Assistance Loan Program (\$50 million), designed to assist middle-income households to purchase homes and stay in Alameda County;
- 2) Homeownership Housing Development Program (\$25 million), designed to assist in the development and long-term affordability of homeownership housing for low-income households to become first-time homebuyers; and,
- 3) Housing Preservation Loan Program (\$45 million), to help seniors, people with disabilities, and other low-income homeowners to remain safely in their homes.

The two components of the rental housing programs are:

- 1) Rental Housing Development Fund (\$425 million), to create and preserve affordable rental housing for vulnerable populations; and,
- 2) Innovation and Opportunity Fund (\$35 million), to respond quickly to capture opportunities that arise in the market to preserve and expand affordable rental housing and/or prevent tenant displacement.

Implementation of the Housing Bond

Implementation of the variety of programs to be funded with the bond is expected to be substantially accomplished over an eight-year period. Initial work towards implementation has already begun. Initial focus is on the implementation work needed through June 2018, including development of more detailed program policies, development and issuances of requests for proposals, discussions with each city regarding focus and selection process for rental housing developments to be financed from base city allocations of funds, and other items.

Some of the key items to be accomplished during the initial implementation period, as described in the attached Plan, include:

- Establishment of County Bond Implementation Team, including selection of Bond Counsel and Financial Advisor.
- Creating needed staff positions and hiring additional staff.
- Development of detailed implementation policies for each of the Bond's programs.
- Issuance of Request for Proposals/Qualifications (RFP/Q) and selection of operators for two of the homeowner programs: the Down Payment Assistance Loan Program and the Housing Preservation Loan Program.
- Issuance of Request for Qualifications (RPQ) and establishment of an approved pool of developers which can access the Rental Housing Opportunity Fund.
- Issuance of Request for Proposals (RFPs) and selection of initial projects to be financed from the four regional pools of the Rental Housing Development Fund.
- Issuance of a RFP and selection of initial projects to be financed from the Homeowner Housing Development Program.
- Work with each city to establish rental housing development selection processes for base city allocations of rental housing development funds.
- Development of program marketing materials, loan documents, and other related documentation and materials for each program.
- Development of program progress tracking and reporting indicators and format.
- Establishment of Independent Citizen's Oversight Committee.

This work will involve a variety of public and stakeholder meetings, as well as updates to the Board.

In addition, as part of the implementation of the Housing Bond, HCD will be working on several related initiatives, including working to link the Bond program with related job training, apprenticeship, and employment opportunities for the target populations of the Bond's housing programs, and working with funded rental housing developments and other stakeholders on streamlining the ways that households seeking affordable rental housing locate potential housing opportunities and simplifying application processes for affordable rental housing.

To implement the Bond program, HCD will be using existing staff and new positions to be added. A Board letter with more details regarding the staffing plan and request for authorization of new needed positions and a funding plan will be forthcoming.

HCD will work with the County Bond Team regarding the size and timing of bond issuance(s). It is anticipated the first issuance will occur after selection of initial projects to be financed under the Rental Housing Development Fund and the Homeowner Housing Development Fund, the creation of the developer pool approved for the Innovation and Opportunity Fund, and the

selection of program operators for the Down Payment Assistance Loan Program and the Housing Preservation Loan Program.

Immediate Concern – Existing Rental Housing Projects at Risk

There is one specific unexpected item to highlight. Subsequent to the November Presidential election, the President-elect’s statements regarding his intention to lower the corporate tax rate and a bill pending in Congress have had an immediate impact on the market for Low-Income Housing Tax Credits (LIHTC). LIHTC corporate investors have lowered the amount they are willing to pay for the credits, causing significant funding gaps in local projects that are far along in the development process. This impacts both projects that have received an allocation of LIHTC but did not yet have a signed agreement with an investor and projects intending to apply in March for LIHTC allocations. The currently estimated new funding gap created by this situation is approximately \$25 million.

The Housing Bond presents an opportunity to close these new funding gaps and allow the impacted developments to move forward. In order to meet the State LIHTC requirements, a commitment of permanent financing to fill these gaps must be secured by March 1, 2017. HCD staff has compiled a list of these developments and is providing additional detail on the issue in Exhibit B. All of the developments contain units targeted to very low-income households and have city investments. HCD is in conversation with the cities regarding this issue, and those HCD has reached to date, have indicated support for using portions of their base city bond allocations towards filling these gaps.

HCD has several more cities to contact regarding this. Once HCD has contacted all of the cities involved and confirmed which cities would like to use portions of their base city bond allocations for projects in their jurisdictions, HCD would like to bring a “Permanent Financing Resolution” in an “up to and not to exceed” amount to the Board for approval in February in order to meet the March 1 deadline. Attached to this memo as Exhibit B is a fuller summary of this issue and a list of potential projects that may be included.

- cc: Each member, Board of Supervisors
Susan Muranishi, County Administrator
Steve Manning, Auditor Controller
Donna R. Ziegler, County Counsel
Andrea Weddle, Deputy County Counsel
Melanie Atendido, County Administrator’s Office

Exhibit A

Measure A1
Alameda County Affordable Housing Bond
Implementation Plan

January 2017 Draft



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Introduction

Measure A1, the Alameda County Housing Bond, was passed by over 73% of the voters in November 2016. The \$580 million countywide Housing Bond will fund three programs related to homeownership and two rental housing development programs.

The homeownership programs include:

- 1) Down Payment Assistance Loan Program (\$50 million), designed to assist middle-income households to purchase homes and stay in Alameda County;
- 2) Homeownership Housing Development Program (\$25 million), designed to assist in the development and long-term affordability of homeownership housing for low-income households to become first-time homebuyers; and,
- 3) Housing Preservation Loan Program (\$45 million), to help seniors, people with disabilities, and other low-income homeowners to remain safely in their homes.

The two components of the rental housing programs are:

- 1) Rental Housing Development Fund (\$425 million), to create and preserve affordable rental housing for vulnerable populations; and,
- 2) Innovation and Opportunity Fund (\$35 million), to respond quickly to capture opportunities that arise in the market to preserve and expand affordable rental housing and/or prevent tenant displacement.

Implementation of the Housing Bond

Implementation of the variety of programs to be funded with the bond is expected to be substantially accomplished over an eight-year period. This Plan's focus is on the initial implementation work needed through June 2018.

Key items to be accomplished during this implementation phase include:

- Establishment of County Bond Implementation Team, including selection of Bond Counsel and Financial Advisor.
- Creating needed staff positions and hiring additional staff.
- Development of detailed implementation policies for each of the Bond's programs.
- Issuance of Request for Proposals/Qualifications (RFP/Q) and selection of operators for two of the homeowner programs: the Down Payment Assistance Loan Program and the Housing Preservation Loan Program.
- Issuance of Request for Qualifications (RPQ) and establishment of an approved pool of developers which can access the Rental Housing Opportunity Fund.
- Issuance of Request for Proposals (RFPs) and selection of initial projects to be financed from the four regional pools of the Rental Housing Development Fund.

- Issuance of a RFP and selection of initial projects to be financed from the Homeowner Housing Development Program.
- Work with each city to establish rental housing development selection processes for base city allocations of rental housing development funds.
- Development of program marketing materials, loan documents, and other related documentation and materials for each program.
- Development of program progress tracking and reporting indicators and format.
- Establishment of Independent Citizen’s Oversight Committee.

This work will involve a variety of public and stakeholder meetings, as well as updates to the Board.

County Bond Implementation Team:

The County Bond Implementation Team will coordinate and provide oversight to ensuring that legal and financing requirements for bond issuance are met and that all relevant County agencies are coordinating on implementation, as well as pricing, sizing, and legal documents related to the actual issuance of the bonds.

The Team is proposed to include staff from the County Administrator’s Office (CAO), the Auditor/Controllers Office, County Counsel, along with staff from the Community Development Agency’s Housing and Community Development (HCD) and Finance and Bond Administration departments. The Bond Team will work with outside Bond Counsel and Financial Advisor selected to assist the County in implementing the Housing Bond. Orrick Herrington & Sutcliffe was selected as Bond Counsel and KNN Public Finance provide financial advisory services for the work leading to the placement of the Measure on the November ballot. The Bond Team will work with the CAO Finance Committee regarding selection of Bond Counsel and Financial Advisor for the implementation phase. The Team will meet as needed, anticipated to be at least monthly through June 2018.

Bond Program Implementation Policies:

Leading up to placement of the Bond on the November ballot, the Board of Supervisors adopted broad program descriptions for programs to be funded by the Bond. More detailed program policies are needed to implement each of the programs. Development of these policies will include consultations with stakeholders and cities, as well as with program operators selected to implement the Down Payment Assistance Loan Program and the Housing Preservation Loan Program. HCD will bring implementation policies for each specific program to the Board for approval beginning no later than July 2017.

Rental Housing Programs

Rental Housing Development Fund

HCD already has in place implementation policies and procedures for its Affordable Housing Development Program. Policies specific to the General Obligation Bond program need to be developed and adopted. These include items such as specific income levels and target populations of the Bond, level of required city financing, the relationship of funds from the regional pools and city base allocations, and deadlines for commitment of funds/selection of projects to be funded. In addition, there may be a need for differentiation of some policies specific to city base allocations of funds versus the regional funding pools. The legal and programmatic analysis regarding fair housing issues will be part of this work. Consultation to solicit input from stakeholders will also be conducted.

Rental Housing Innovation and Opportunity Fund

This Fund is a new type of program for which HCD will need to develop new policies. Program policies related to the type of housing will be similar to the policies for the Rental Housing Development Fund, however policies related to selection and management of the pre-approved developer pool, the term and repayment of opportunity loans and new types of loan and regulatory documents will need to be developed for this program.

Schedule

HCD anticipates holding initial stakeholder meetings in Spring 2017, followed by release of draft policies, a formal public comment period, and bringing proposed policies to the Board for approval no later than July 2017.

Homeowner Programs

Homeowner Housing Development Program

HCD has homeowner housing development experience, but it has been primarily through the use of federal grant programs, most recently through Neighborhood Stabilization Program grants focused on acquisition, rehabilitation, and re-sale of foreclosed properties, therefore HCD will be developing policies to implement this component of the Bond program. The process and timing is anticipated to mirror that of the rental housing development programs.

Homeowner Housing Preservation Loan Program

CDA has administered housing preservation loan programs, primarily funded by the federal Community Development Block Grant, since the 1970s. Development of specific program policies for the Bond-funded program will be necessary. The process will involve consultation with cities, since many of the cities have existing housing preservation loan and grant programs

and the Bond-funded program should fill gaps and leverage those programs. Program policies will be finalized and brought to the Board for adoption after selection of a program operator so that the program operator will also have the opportunity to be involved in the development of the implementation policies.

Down Payment Assistance Loan Program

The Down Payment Assistance Loan Program included in the Housing Bond program description was modeled after a successful San Francisco program that has been in place for a number of years and has been accepted by primary mortgage lenders and the secondary market (e.g. FHA). The Housing Bond policies will build off of the policies and program materials of the San Francisco program, with possible changes to conform with the adopted Bond program and to work in Alameda County markets. Program policies will be finalized and brought to the Board for adoption after selection of a program operator so that the program operator will also have the opportunity to be involved in the development of the implementation policies.

Selection Processes

Each of the Bond programs will have a competitive process for selection of Projects or Program Operators, beginning by Summer 2017 and continuing through Fall 2017.

Rental Housing Development Fund

- Regional Pools - HCD will conduct a competitive RFP process for selection of developments to be financed by the Regional Pools. The RFP is expected to be issued no later than Fall 2017.
- City Base Allocations: HCD will administer these funds and will work with each city on its selection of projects proposed to be funded from its base allocation of funds. Developments must comply with Bond program policies, as adopted by the Board. We anticipate that some cities have projects they are already working with and others do not. Depending on the city, the selection process may involve the city conducting a competitive RFP, the city and HCD issuing a joint RFP, or HCD administering an RFP on the city's behalf. HCD is meeting with each city to discuss program policies and project selection options. Initial meetings should be concluded by the end of February 2017.

Rental Innovation and Opportunity Fund

HCD will conduct a Request for Qualifications process to pre-screen and select a pool of qualified developers. Developers in the approved pool will then be able to apply "over the counter" for short-term financing for acquisition of properties available in the market and/or initial predevelopment expenses. The RFQ will be released no later than Fall 2017.

Homeowner Housing Development Program

HCD will conduct a RFP to identify projects to be financed from this component of the Bond program. The RFP is expected to be issued no later than Fall 2017.

Down Payment Assistance Loan Program

HCD will conduct a competitive RFP process to select a program operator for this program. It is expected that this RFP will be issued by June 2017.

Housing Preservation Loan Program

HCD will conduct a competitive RFP process to select a program operator for this program. It is expected that this RFP will be issued by June 2017.

Independent Citizen Oversight Committee

The purpose of the Oversight Committee is to review the annual report each year to ensure that Bond proceeds are being spent in compliance with the ballot measure. The Oversight Committee should be established during FY17/18 so that it can review the annual report. This can occur after the first bond issuance. HCD has gathered information on existing County Citizen Oversight Committees, for example for Measure A, and will work in consultation with the County Bond Team to propose membership, process for selection and appointment of members, and other matters related to the formation of the Oversight Committee. It is expected that the proposal for the Oversight Committee will be brought to the Board for consideration by January 2018.

Staffing

To implement the Bond program, HCD will be using existing staff and new positions to be added. Varying levels of staffing will be needed at different points. Prior to the first issuance, staffing will need to be paid for through a source of funds to be identified, which will be paid back with bond proceeds. A Board letter with more details regarding the staffing plan and request for authorization of new needed positions and a funding plan will be forthcoming.

Other implementation Items

Program marketing materials, loan documents, and other related documentation and materials will be developed as part of the implementation of each program. HCD has created a Housing Bond site on its web page and a list serve so that interested parties can sign up to receive electronic notices related to Bond implementation, including RFP/Qs. The scopes of work for

selected program operators for the Down Payment Assistance Loan Program and the Housing Preservation Loan Program will be the development of a marketing plan and marketing materials that ensure widespread awareness of the programs across the County, especially among targeted and eligible populations.

As part of implementation of the Housing Bond, HCD will be working on several related initiatives. One initiative is to link the Bond program with related job training, apprenticeship, and employment opportunities for the target populations of the Bond's housing programs. The Board of Supervisors has already adopted a prevailing wage policy for construction jobs in rental housing developments supported with Bond funds. In addition, HCD will be working with funded rental housing developments and other stakeholders on an initiative to streamline the ways that households seeking affordable rental housing locate potential housing opportunities and simplifying application processes for affordable rental housing.

Bond Issuance and Availability of Funds

HCD will work with the County Bond Team regarding the size and timing of bond issuance(s). It is anticipated the first issuance will occur after selection of initial projects to be financed under the Rental Housing Development Fund and the Homeowner Housing Development Fund, the creation of the developer pool approved for the Innovation and Opportunity Fund, and the selection of program operators for the Down Payment Assistance Loan Program and the Housing Preservation Loan Program. Also prior to issuance of bonds including funding for rental housing developments, an analysis of whether any amount of those funds should be issued as tax-exempt, rather than taxable, bonds.

EXHIBIT B

Immediate Concern –Rental Housing Developments at risk

As a result of statements made by President-elect Trump and a bill currently before Congress, reductions in corporate tax rates are expected and the market for Low Income Tax Credits (LIHTC) has already been suddenly and significantly impacted. Lowered corporate tax rates would result in less taxes owed, and therefore less need for the tax credit, dropping their overall value to the corporate investors. Investors who had previously priced LIHTCs at \$1.10 - \$1.20 per credit are now quoting prices at \$0.90 - \$1.00 or below per credit. According to third party industry consultants, the market is therefore 'self-correcting' in anticipation of a corporate tax rate decrease.

Local affordable rental housing projects under development in Alameda County that either have LIHTC allocations and are scheduled to close this Spring, or had intended to apply for LIHTCs in March, now have significant, unanticipated financing gaps.

To assess the situation, HCD held a meeting on January 4th, with non-profit developers impacted by this sudden change. The two charts below include the projects identified that are in this critical situation.

Project with Tax Credits Commitment – Must close Spring, 2017					
Developer	Project	Jurisdiction	# of Units	Gap Increase	City Funding Commitments
EAH	Olympia Place	Emeryville	87	\$1,000,000	\$6,500,000
Alameda HA	2437 Eagle Avenue	Alameda	20	\$1,000,000	\$3,050,000
Bridge Housing	San Leandro	San Leandro	85	\$2,000,000	\$1,000,000
Eden Housing	Parc 55	Fremont	90	\$2,700,000	\$7,407,000
OEDC/Urbancore	Coliseum Connections	Oakland	110	\$2,500,000	\$12,000,000
SAHA	Redwood Hills	Oakland	28	\$1,000,000	\$10,000,000
			420	\$10,200,000	\$39,957,000

For the above projects that currently have LIHTC allocations from the State Tax Credit Allocation Committee, failure to close their financing by the required Spring deadline will mean the loss of the tax credits. These projects will have to compete again, with no guarantee of receiving the credits again. In addition, a few of them have deadlines to start construction under other State funding sources. Failure to start construction and/or complete the projects on time could mean requirements for repayment of State grants.

For those projects which do not already have LIHTC allocations but were ready and planning to apply for LIHTC in March (shown in the table below), they no longer qualify to apply unless the new funding gaps caused by the lower prices in the tax credit equity market are closed.

Project Expected to Apply for Tax Credits in March, 2017					
Developer	Project	Jurisdiction	# of Units	Gap Increase	City Funding Commitments
SAHA	Grayson St. Apts.	Berkeley	23	\$500,000	\$1,095,000
Mid-Pen	Stevenson	Fremont	81	\$700,000	\$11,910,000
Mid-Pen	Sunflower Hill	Livermore	45	\$1,300,000	\$2,100,000
EBALDC	Fruitvale BART	Oakland	94	\$5,700,000	\$2,250,000
SAHA	Camino 23	Oakland	32	\$1,400,000	\$2,700,000
Mid-Pen	Kottinger Place Phase II	Pleasanton	54	\$2,000,000	\$4,000,000
RCD	EMBARK	Oakland	70	\$3,200,000	\$3,000,000
TOTALS			399	\$14,800,000	\$27,055,000

For projects in both of the categories above, failure to fill the new financing gaps by March 1st will cause significant delays in development and possibly cause the projects to not be developed at all. Given this timeframe, a normal RFP process is not possible.

HCD staff has also reached out to the cities which have made funding commitments to the projects in the above charts to discuss the situation and their interest in possibly using portions of their base city allocations of Housing Bond Rental Housing Development Program funding to fill these new funding gaps. We are still in that process. Once HCD has contacted all of the cities involved and confirmed which cities would like to proceed in this manner, HCD proposes to bring a “Permanent Financing Resolution” in an “up to and not to exceed” amount to the Board for approval in February in order to meet the March 1 deadline.

If the Board approves this funding proposal, HCD staff will proceed to completing full underwriting analyses of these projects in order to make final determinations of the total amount needed from Bond funds. Those projects that are closing their financing in the Spring will be the first priority. After underwriting, staff would then bring funding contracts to the Board for approval, in the standard process.