

# **PROPOSED \$580 MILLION AFFORDABLE HOUSING GENERAL OBLIGATION BOND PROGRAM SUMMARY**

**June 28, 2016**

## **Summary**

In November 2016, Alameda County residents will have an opportunity to direct more resources towards addressing a range of critical affordable housing needs by passing a general obligation bond measure. The measure, a \$580 million General Obligation Bond, will create new affordable rental and homeowner housing units and assist existing low-income and vulnerable residents.

Acknowledging Alameda County's well-documented affordability gap for both rental and ownership housing across a range of income levels, the Bond program was developed with extensive input from the community, including 15 formal stakeholder and Board of Supervisor's committee meetings and an on-line survey. The capital investment in housing made possible by the Bond will help to meet the needs of lower income seniors, people with disabilities, homeless, veterans, re-entry, youth aging out of foster care, and low-income working families, while also helping to stabilize existing neighborhoods and increase the livability in every community in the County. Increasing access to safe and affordable housing will, in turn, promote diversity, social equity, and economic vitality – cornerstones that support our thriving County.

The 2016 Affordable Housing Bond proposes two categories of investments, each of which supports housing for Alameda County households at a range of income levels:

- **Affordable Rental Housing Development Programs**
  - Development of new and preservation of existing affordable rental housing units for residents of Alameda County; and
  - Creation of an Innovation & Opportunity Rental Housing Program to promote innovation and capture opportunities as they arise in the market.
- **Affordable Home Ownership Programs**
  - Down Payment Loan Assistance Program to assist middle-income, first-time home buyers to stay in Alameda County;
  - Home Preservation Rehabilitation Program to help low-income homeowners, especially seniors and people with disabilities, to remain safely in their homes; and,
  - Homeownership Development Program to create homeownership opportunities for lower-income residents.

Table 1: Alameda County Program Categories and Target Funding Levels

<b>Alameda County Affordable Housing Bond</b>	
<b>Homeownership Programs</b>	<b>\$120,000,000</b>
<i>Down Payment Assistance Loan Program</i>	<i>\$50,000,000</i>
Homeownership Development Program	\$25,000,000
<i>Home Preservation Loan Program</i>	<i>\$45,000,000</i>
<b>Rental Housing Development Programs</b>	<b>\$460,000,000</b>
<i>Affordable Rental Development</i>	<i>\$425,000,000</i>
<i>Innovations Program</i>	<i>\$35,000,000</i>
<b>Total</b>	<b>\$580,000,000</b>

The Housing Bond will:

- Invest in our local Alameda County communities;
- Develop and acquire housing for a broad range of populations who have an increasingly difficult time finding housing they can afford or affording the housing they currently have including people who are homeless, low-income seniors and disabled homeowners and renters, families and working households, people with disabilities, transition-aged youth, re-entry, veterans, and low and middle-income first-time homebuyers;
- Meet these needs through a range of activities, including development of new multi-family and single-family housing opportunities for rental or ownership, rehabilitation loans to low-income senior, disabled, and other low-income homeowners, down payment assistance for middle-income first-time homebuyers, and acquisition and/or rehabilitation of existing apartment buildings;
- Help people who are struggling with housing costs;
- Help homeless and other vulnerable populations with long-term affordable rental housing; and,
- Help low and middle income Alameda County residents buy homes.

While the Housing Bond will make a significant contribution to meeting the needs of Alameda County's lower income residents, it alone cannot address all of them. There are a number of other efforts across the County underway. In particular to the County, the Board of Supervisors has also set-aside a minimum of \$5 million annually from funds returning to the County due to the dissolution of Redevelopment Agencies ("boomerang funds") and is working to use those funds to address needs that the Bond cannot be used for, including a variety of anti-displacement uses for residents at risk of losing their housing.

Fiscal responsibility measures have been incorporated into the Housing Bond proposal including the establishment of an Independent Citizen's Oversight Committee to ensure that bond proceeds are being spent in compliance with the ballot measure.

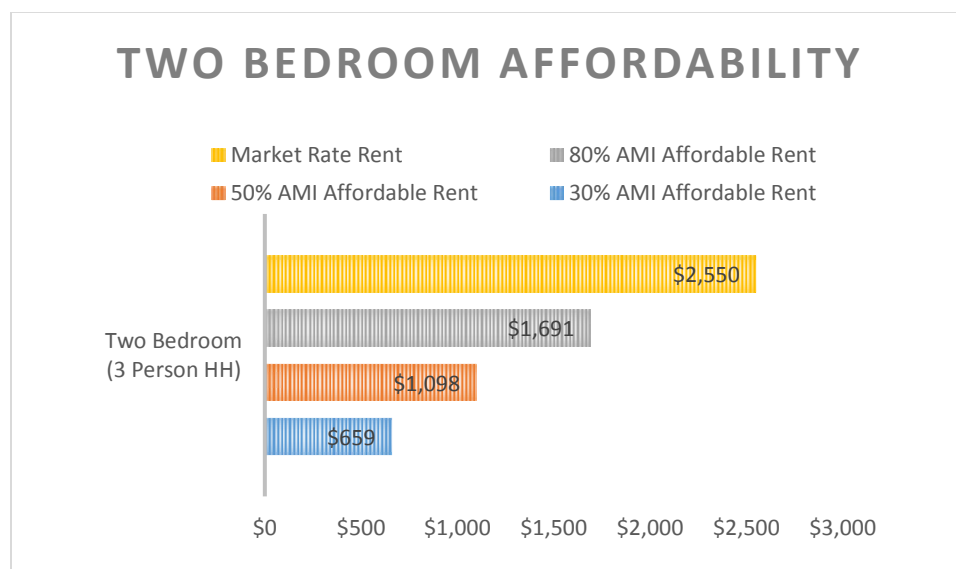
## THE NEED FOR MORE AFFORDABLE HOUSING

The well-documented housing affordability gap, which has been growing in the current housing market, makes it a challenge for Alameda County to ensure that economic diversity can be maintained. These high housing costs inhibit healthy, balanced economic growth regionally. Individuals and families are increasingly locked out of the local housing market and forced to take on increasingly long commutes to reach employment. In recent years, the impact of this affordability gap has expanded beyond low- and moderate-income households, which traditionally could benefit from some forms of governmental assistance. Strong housing production and the availability of housing affordable to a wider range of households has therefore become more important than ever.

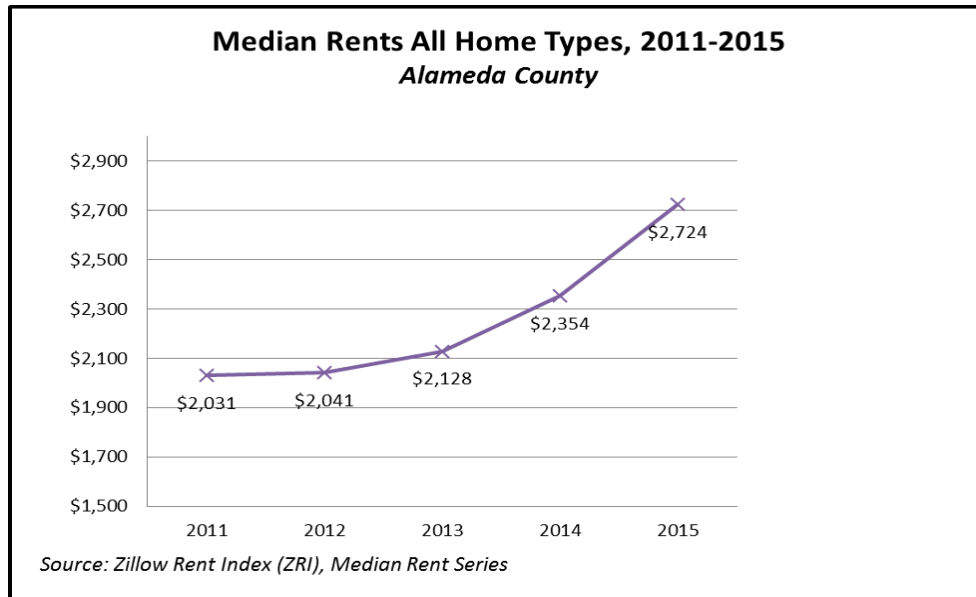
The Housing Bond will help to address the affordability gap, as well as the destabilization that occurs when market pressures in communities result in long-time residents being forced out of the County entirely in order to find housing they can afford.

### **Affordability Gap – Rental Housing**

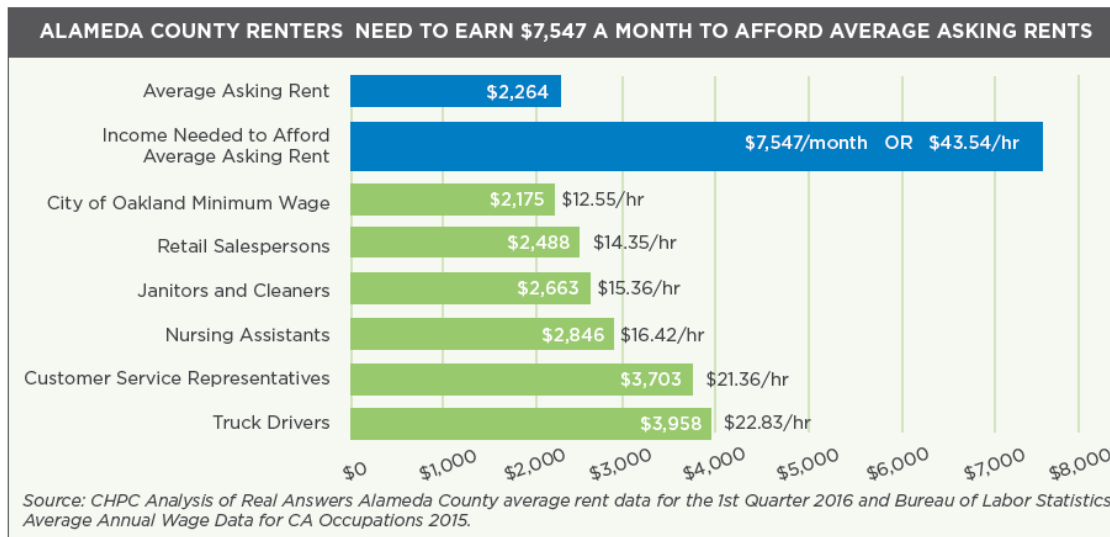
The difference between an affordable housing cost and market-rate housing cost is commonly called the housing “affordability gap.” Alameda County’s housing affordability gap exists for both rental and ownership housing. Low-income and middle-income households face a significant gap between what they can afford and the price of available housing. The illustration below highlights a three person household affordability gap at Extremely Low Income (30% of AMI), Very Low Income (50% of AMI) and Low Income (80% of AMI).



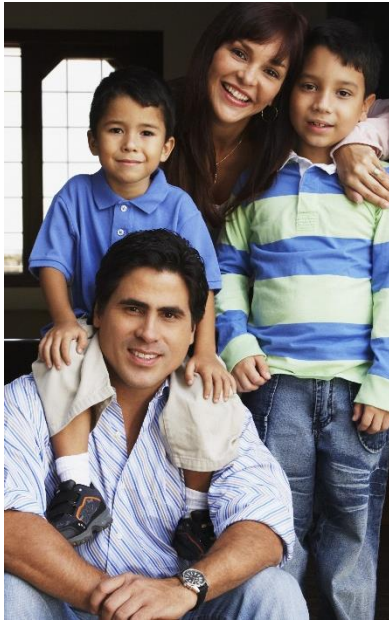
Median rents increased 34% between 2011 and 2015 countywide. While the percentage increases vary by city across the County, the trend line for all jurisdictions in the County mirrors the countywide trend; rapidly increasing rents over the last several years, are shown below.



At the same time that rents are increasing so rapidly, incomes in Alameda County are not keeping up with rapidly increasing rental housing costs. In addition to retired seniors and people with disabilities receiving Social Security Income (SSI), many working households do not earn high enough wages to afford housing in our communities. A sample is shown in the chart below to illustrate this point:

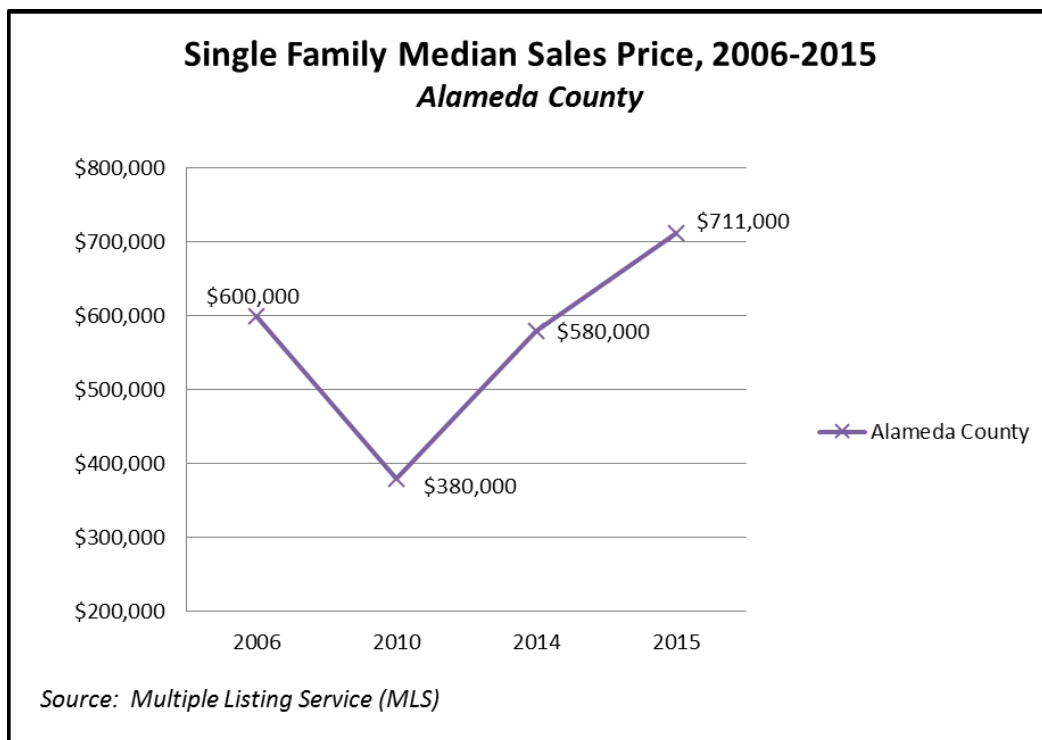


High and rising rental housing costs are especially difficult for the lowest-income populations and other vulnerable populations in Alameda County, including the over 4,000 people who are homeless every night across Alameda County. Almost 30% of very-low and 73% of extremely low-income households in Alameda County spend more than half of their incomes on rent. There is a shortfall of over 60,000 homes affordable to very low- and extremely low-income households in Alameda County.



### **The Affordability Gap – Homeowner Housing**

Home purchase prices have also been rising extremely quickly, putting homeownership out of reach for even many middle income and above households. When these households cannot afford to purchase homes, they either stay in the rental market, reducing the number of units which would otherwise be available to households with less income, or move out of their communities and even out of the County in order to find homes they can afford. Across the County, home sales prices are exceeding the pre-recession prices. In terms of prices, this segment of the market has fully recovered from the recession, as shown by the graph below:



### **Projected Future Housing Needs**

The documented housing affordability gap and excessive housing cost burdens highlight current Alameda County residents' need for more affordable housing. At the same time, the County must also grapple with the need to accommodate the future housing demands of an increasing

population. The Association of Bay Area Governments (ABAG) provides estimates of housing need through its Regional Housing Need Assessment (RHNA), which is conducted every 7 years. Limited funding resources and the high cost of housing development mean that the County's supply of affordable housing will be challenged in order to keep pace with future demand. This is especially true and acute for Extremely Low-, Very low-, Low-, and even Moderate-income households. The Extremely Low-Income housing need is estimated at half of the Very Low-Income need shown in the table below. The table below summarizes the RHNA allocations for each jurisdiction within Alameda County for the period of 2013 through 2021.

Alameda County Regional Housing Needs Allocation					
Alameda County	Very Low 0-50%	Low 51-80%	Moderate 81-120%	Above Moderate 120%+	Total
Alameda	444	248	283	748	1,723
Albany	80	53	57	145	335
Berkeley	532	442	584	1,401	2,959
Dublin	796	446	425	618	2,285
Emeryville	276	211	259	752	1,498
Fremont	1,714	926	978	1,837	5,455
Hayward	851	480	608	1,981	3,920
Livermore	839	474	496	920	2,729
Newark	330	167	158	423	1,078
Oakland	2,059	2,075	2,815	7,816	14,765
Piedmont	24	14	15	7	60
Pleasanton	716	391	407	553	2,067
San Leandro	504	270	352	1,161	2,287
Union City	317	180	192	417	1,106
Alameda Couty Unincorporated	430	227	295	817	1,769
Total	9,912	6,604	7,924	19,596	44,036
Source: Association of Bay Area Governments (ABAG) 2013					

### **Affordable Housing Subsidies**

In the same period of rapidly escalating housing prices and increased housing cost burden, sources of financing for affordable housing development have been significantly reduced. The elimination of Redevelopment Agencies in 2011 caused a countywide loss of \$60 Million or more annually in funds specifically for affordable housing. Between 2008 and 2013, there was an overall decrease of 89% in State and Federal funding for affordable homes in Alameda County. This loss of funding has only exacerbated the affordability crisis. The County continues to advocate for increased investment in affordable housing at the State and Federal levels, but it is clear that local solutions are also needed.

### **Impacts of the Housing Affordability Crisis:**

The impacts of the housing crisis affect every community across Alameda County.

- As housing is increasingly unaffordable, especially for very low and extremely low income people, long-term residents are forced to move out of neighborhoods and communities where they have lived, worshipped, worked, and have family and community ties.
- As people move further away, traffic congestion impacts occur, especially from commuters to work.
- When households spend over half of their incomes on housing costs, they have significantly less money to pay for other necessary expenses such as childcare, medical expenses, and food, which also decreases income to non-housing segments of the local economy.
- Homeless is increasingly visible across our communities, and there are also increases in the 'hidden homeless' such as families living in cars and young people aging out of foster care who are moving from couch to couch trying to stay sheltered.
- Local businesses face an increasingly difficult time attracting and retaining needed employees. Recent news articles have highlighted restaurants unable to find servers and school districts losing teachers as they take jobs in communities where they can afford to live. Even local hospitals have reported being less able to attract M.D. residents, doctors, nurses and other essential health care workers. Economic Development and business associations have named high housing costs as one of their top priorities.

### **PROGRAM DESCRIPTION**

As mentioned above, the programs to be funded by the Bond were developed in response to critical housing needs across Alameda County and with significant community and stakeholder review and input. Community input and feedback was obtained through over 15 public meetings, including two widely publicized stakeholder meetings, eight Town Hall meetings held by the Board of Supervisors in each of the five districts across the County, and six Board committee meetings. Comments received at these meetings was augmented by an on-line survey available to the public, as well as letters and emails submitted to the County between March and early June 2016.

### **Criteria Used for Development of the Bond Program**

The components of the Bond Program are designed to meet the following key criteria:

- ☐ **Eligible uses of G.O. Bond proceeds:** Bond-funded programs must be eligible for this type of financing, which means that they must be related to the acquisition or development of real property. Rental subsidies and housing operating subsidies, for example, are not eligible uses of bond proceeds.
- ☐ **Addresses critical housing needs:** Programs are designed to address some of the most critical housing needs across the County.

- ❑ **Cost effective to administer:** Costs will be kept to only those reasonable and necessary costs to deliver the programs and ensure that the funds are used as described. A Citizens' Oversight Committee will be established to ensure that bond proceeds are being spent in compliance with the ballot measure.
- ❑ **Assures all parts of the County benefit:** The range of programs are designed to be effective in the variety of urban and suburban communities in Alameda County. The allocation formula for the Rental Housing Development Loan fund ensures that each community is assured of a base level of funding to serve its residents, as well as the ability to draw on other regional and countywide pools of funding.
- ❑ **Builds on successful program models within Alameda County and elsewhere, while allowing for innovation and creativity:** There are many examples of successful programs to address housing needs for vulnerable residents and first-time middle-income homebuyers. Providing additional funds to continue successful models and bring them to scale will maximize efficiency and effectiveness of the programs. At the same time, changing conditions requires the ability to be creative and responsive as new needs and possible innovative solutions arise.
- ❑ **Leverage other funds where possible:** Bond funds will be used to bring other affordable housing funds into our County to meet needs. Successfully competing for State and Federal housing funds requires local investment.

### **Program Categories**

The 2016 Affordable Housing Bond proposes two categories of investments, each of which supports housing for Alameda County households at a range of income levels, with several programs under each category:

- **Affordable Home Ownership Programs**
  - Down Payment Loan Assistance Program: to assist middle-income first-time homebuyers to stay in Alameda County;
  - Home Preservation Rehabilitation Program: to help low-income homeowners, especially seniors and people with disabilities, to remain safely in their homes; and,
  - Homeownership Development Program: to create homeownership opportunities for lower-income residents.
- **Affordable Rental Housing Development Programs**
  - Rental Housing Development Fund: financing for the development of new and preservation of existing affordable rental housing units for low income residents; and



- Innovation and Opportunity Fund: creation of an Innovation & Opportunity Rental Housing Program to promote innovation and respond quickly to capture opportunities as they arise in the market.

Each of these programs is described in more detail below.

## **Homeownership Programs**

There are three components included in the bond-financed homeownership programs with a target total allocation of \$120 Million. All three programs are deferred-payment loans that are due upon sale or transfer of the home. In this way, there are no monthly loan payments which add to the housing cost burden of the households served, and the funds are returned to the program when the house is sold so that they can be used to benefit other eligible homebuyers and homeowners. If the home is sold to an eligible household, the loans can stay on the property instead of being repaid, if approved by the County. All three programs will be available countywide, on a first-come, first-served basis for eligible households.

### **Down Payment Assistance Loan Program:**

The goal of this component of the bond program is to assist middle-income working households to purchase homes and stay in Alameda County, instead of having to move to outlying areas in order to afford a home. The target funding allocation is a total of \$50 Million over the course of the bond program.



#### Program Parameters:

The target population for this program is first-time homebuyers, as defined by the IRS, with household incomes at or below 120% of Area Median Income (AMI). A maximum income level of 150% of AMI will allow for flexibility over the life of the program to ensure that the program can assist homebuyers across the County and to allow for dual-income target population households to benefit from the program. These income caps include many types of employment, such as teachers, electricians, emergency medical technicians and others.

In addition, the program will include design features to encourage current Alameda County residents to purchase homes near where they work, or in proximity to transit that can take them to work. The County is working with legal counsel towards creating design features towards also allow former Alameda County residents who have been displaced due to foreclosure or rising housing costs to benefit from the program. The program will also include

design features to benefit teachers, other local educators, and critical first responders to live in the communities in which they work.

This program is modeled after a successful San Francisco loan program which has been in place for many years and which has been approved by Fannie Mae, FHA, and first mortgage lenders, which will allow the program to be up and running quickly. It is a shared-appreciation, silent-second mortgage that can provide up to 15% of the purchase price towards the down payment, with the home purchaser providing the remaining 5% (3% of their own funds minimum). There is no interest rate on the loan and no monthly payments to add to housing cost burden. When the home is sold or transferred to anyone other than an approved, income-eligible household, the loan is paid back along with the same percentage share of the net appreciation equity. This allows the funds to revolve and serve other households as the sales prices in the market rise, while also allowing the homeowner to benefit from a share of the appreciated price. The homes purchased with these loans will be monitored to ensure that they remain owner-occupied.

### **Home Preservation Loan Program:**



The goal of this component of the bond program is to assist Low-Income Seniors, People with Disabilities, and other low-income homeowners to remain safely in their homes. The target funding allocation is a total of \$45 Million over the course of the bond program.

#### Program Parameters:

The target population for this component is low-income seniors, people with disabilities and other homeowners with incomes at or below 80% of Area Median Income. The program will provide home inspections and technical assistance, along with loans to pay for accessibility improvements, such as grab bars, ramps, and widened doorways, and other housing rehabilitation such as roofs, electrical and plumbing systems improvements, allowing the household to remain safely in the home and not become displaced either due to the home no longer being accessible to them or due to deteriorated conditions.

The funds will be provided in the form of 0% to low-interest deferred loans. There will be no payments on the loans while the low-income household remains living there, so the loan will not add to the housing cost burden. When the home is sold or transferred to anyone other than an approved, income-eligible buyer, the loan and interest due are repaid and the funds will be recycled to assist another low-income homeowner.

## **Low-Income Homeowner Housing Development Program**

The goal of this component of the bond program is to assist in the development and long-term affordability of homeownership housing for Low-Income households to become first-time homebuyers, while remaining in the County. The target funding allocation is a total of \$25 Million over the course of the bond program.



North Oakland Homeownership Development, RCD

### **Program Parameters:**

The target population for this component is low-income, first-time homebuyers who are residents of Alameda County and have incomes at or below 80% of Area Median Income. This income cap includes many types of employment, such as child care workers, medical lab technicians, truck drivers, mechanics, and others, as well as some retired senior households.

The program may involve a sweat-equity or other contribution

requirement on the part of the homebuyer households. The County is working with legal counsel towards creating design features to allow former Alameda County residents who have been displaced due to foreclosure or rising housing costs to benefit from the program.

The Low-Income Homeowner Housing Development Program will provide construction loans to eligible nonprofit developers to help construct or acquire and rehabilitate homes for sale to low-income qualified households. The construction loans will be converted to down payment assistance loans when the home is purchased by an eligible household. These loans will be structured similar to the Down Payment Assistance Loan Program loans described above. They will be shared-equity, deferred payment loans with no monthly payment to add to housing cost burden and only due if or when the home is sold or transferred to an ineligible buyer.

## **Rental Housing Programs**

There are two components included in the bond-financed rental housing programs with a target total allocation of \$460 Million. The larger of the two programs will have specific target allocations of funds for each city and each region of the County. The smaller program will be available on a countywide basis to respond to eligible opportunities.

## **Rental Housing Development Program:**

The goal of this component of the bond program is to assist in the creation and preservation of affordable rental housing for vulnerable populations, including low-income workforce housing. The target funding allocation is a total of \$425 Million over the course of the bond program.



### Program Parameters:

This program includes a variety of target populations. It is expected that the majority of housing units will serve very low-income households with incomes between 30% to 60% of Area Median Income. This income level includes cooks, retail sales clerks, preschool teachers, and plumber assistants, among others. A portion of the funds may be allowed to

subsidize units for households at or below 80% of AMI, to create affordable housing for a mix of lower-income levels within developments. The program also includes a requirement that at least 20% of the units will be matched with operating subsidies and reserved for extremely low-income households at or below 20% of Area Median Income. This income level includes homeless households, and seniors and people with disabilities on Social Security Income (SSI), and others.

Uses of funds in this component will be flexible, within the parameters of eligibility for use of general obligation bond proceeds, including predevelopment and development financing (including construction period and permanent financing) for new construction, acquisition, rehabilitation to create or preserve affordability. A city may decide to use a portion of its base allocation of funds to finance the development of interim crisis or transitional housing for homeless populations, provided that operating and services

Criteria for selection of developments to be financed under this component of the bond program will include leveraging other sources of affordable housing financing, including State, Federal, and other local subsidy sources. In addition, financed developments must include a financial contribution from the city in which they are located. The County will develop specific criteria for this financial contribution level, in consultation with the cities, to ensure feasibility. Developments financed must remain affordable for no less than 55 years.

Selection criteria will also include priority for one or more of the following target populations within the income limits described above:



- Homeless people, including individuals and families, chronically homeless people with disabilities and other homeless populations
- Seniors
- Veterans
- People with disabilities, including physical and developmental disabilities and mental illness
- Re-entry
- Transition age youth aging out of foster care
- Lower-Income Workforce

### Geographic Allocation

Funds in the Rental Housing Development Program will be distributed across the County in two ways, based on formulas which take into account different levels of need in various parts of the County as well as ensuring that funds are available to address needs in each city, including the Unincorporated County. The geographic allocation model used creates a minimum allocation of funds for use in each city and also creates regional funding pools which can be drawn on to support developments located anywhere in that region of the County.

The city allocations were based on using an average of each city's percentage of the County's assessed property value and that city's percent of the County's total population.



The basis for allocations of funds to the regional funding pools is an average of the region's percent of people living in poverty and the percent of Regional Housing Needs Allocation (RHNA) for Very Low- and Low-Income housing, as developed by the Association of Bay Area Governments for the current planning period. This combination accounts for both current need and projected near-future need for the lowest-income vulnerable populations.

The County will administer the funds in both the regional pools and the city base allocations, working in cooperation with the cities. Developments financed with Bond funds must have the support and approval of the cities in which they are located, including financial support as described above. The table below contains the resulting funding allocations using the formulas described above.

Rental Housing Development Program Funds		\$225 Million to City Base Allocations
Base City Allocations		
Alameda city		\$10,370,727
Albany city		\$2,588,918
Berkeley city		\$15,796,369
Dublin city		\$8,831,465
Emeryville city		\$2,799,109
Fremont city		\$33,264,459
Hayward city		\$20,298,294
Livermore city		\$12,722,700
Newark city		\$6,029,275
Oakland city		\$54,803,565
Piedmont city		\$2,431,300
Pleasanton city		\$13,720,684
San Leandro city		\$11,907,775
Unincorporated		\$19,671,892
Union City city		\$9,763,468
Alameda County Total		\$225,000,000

Allocations based on average of % AV & % Total Population, with minimum no less than original projections.

Rental Housing Development Funds			\$200 Million to Regional Pools
Regional Pools Allocated by:	% of Total	Need - Blend of Poverty and RHNA LI&VLI	
North County	44.7%	\$89,325,065	
Mid County	24.9%	\$49,803,134	
East County	13.7%	\$27,332,372	
South County	16.8%	\$33,539,429	
Alameda County Total	100.0%	\$200,000,000	

No Co: Albany, Berkeley, Emeryville, Oakland, Piedmont

Mid Co: Alameda, Hayward, San Leandro, Unincorporated

East Co: Dublin, Livermore, Pleasanton

South Co: Fremont, Newark, Union City

### Rental Housing Innovation and Opportunity Fund:

The goal of this component of the bond program is to support the ability for affordable housing developers to respond quickly to opportunities that arise in the market, to preserve and expand affordable rental housing and prevent displacement of current low-income tenants. The target funding allocation is a total of \$35 Million over the course of the bond program.

### Program Parameters:



Cottonwood Apartments, Fremont, Eden Housing

The housing developed under this component must meet the requirements of the Rental Housing Development Program described above, however the program will be administered differently to allow for rapid response to market opportunities and to allow for flexibility and innovation, within the general obligation bond and program requirements. These funds will be available on a countywide basis, to enable the program to respond to opportunities that arise throughout the County.

One use of funds under this program component will be the creation of a rapid-response, high-opportunity site acquisition and predevelopment loan program under which pre-qualified developers can apply for quick-turnaround, relatively small loans, to secure properties for purchase. These properties can include, for example, vacant land, existing apartment buildings, or motels that can be converted to housing, that become available for sale in the market. If existing, occupied apartment buildings are acquired, lower-income qualified current residents will not be displaced, but rather the buildings may be renovated if needed and affordable rents either maintain or instituted.

Funding under this component may also be used to develop other innovative, bond-qualified programs that serve the same needs as the Rental Housing Development Program, allowing flexibility to develop creative responses to community needs and changing conditions in the housing market.

## **IMPLEMENTATION**

The County has significant experience in implementing these types of programs efficiently and effectively. The Housing and Community Development Department of the County's Community Development Department has successfully financed over 90 multi-family affordable rental housing projects, assisted over 5,000 first time home buyers over a 30 year period with Mortgage Credit Certificates, and created and implemented an affordable acquisition/rehabilitation homeownership program.

The County will evaluate programs as they are designed, implemented, and delivered, to ensure effectiveness. This information will be considered annually and program modifications will be made as appropriate, based on this evaluative data.

## Attachment

Persons in Household	Extremely Low		Very Low		Low	Median	Moderate
	20%	30%	50%	60%	80%	100%	120%
1	\$13,660	\$20,500	\$34,150	\$40,980	\$52,650	\$68,300	\$81,960
2	\$15,600	\$23,400	\$39,000	\$46,800	\$60,150	\$78,000	\$93,600
3	\$17,560	\$26,350	\$43,900	\$52,680	\$67,650	\$87,800	\$105,360
4	\$19,500	\$29,250	\$48,750	\$58,500	\$75,150	\$97,500	\$117,000

Effective March 2016

Adjusted annually

Based on HUD Extremely (30%), Very Low (50%) and Low (80%) Income limits

Alameda County Housing and Community Development, April 2016