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:      July 17, 2017

SUBJECT:  Measure A1 Housing Bond -- Implementation Update

Background

Measure A1, the countywide Housing Bond, was passed by over 73% of the voters in November 2016. It will fund three programs related to homeownership and two rental housing development programs. Implementation of the Bond programs is expected to be substantially completed over an eight-year period, with the larger portion of the funds committed in four to six years. On January 23, 2017, your Committee approved the initial Measure A1 Implementation Plan which focused on the initial implementation period through June 2018.

The Implementation Plan covered all five programs to be developed under the Bond:

Homeownership:
1) Down Payment Assistance Loan Program ($50 million);
2) Homeownership Housing Development Program ($25 million); and,
3) Housing Preservation Loan Program ($45 million).

Rental:
1) Rental Housing Development Fund ($425 million) and,
2) Innovation and Opportunity Fund ($35 million).

Key items to be accomplished during this implementation period:

The Implementation Plan listed a number of items to be accomplished by the end of June 2018 and an implementation schedule for key items. The items to be accomplished include:

- Establishment of a County Bond Implementation Team, including selection of Bond Counsel and Financial Advisor.
- Creating needed staff positions and hiring additional HCD 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.
- Emergency Funding awards to projects impacted by the value reduction of Federal Low Income Tax Credits as a result of the 2016 election.
- 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 Oversight Committee.

**Schedule and Accomplishments to Date:**

**County Bond Implementation Team:**
Formation of the formal team has not yet been established, but members have met periodically on specific items. CDA’s understanding is that the contract with Bond Counsel and determination regarding a possible additional Financial Advisor are underway. The Financial Advisor currently under contract to the County has advised members of the team on a number of items, as has Bond Counsel.

**Bond Program Implementation Policies:**
The Implementation Plan included the development of implementation level program policies, building off of the program descriptions approved by the Board of Supervisors on June 28, 2016 when the Measure was placed on the November 2016 ballot. As described more fully in separate items on today’s Committee agenda, HCD released Public Comment versions of the policies in June and has made changes to the draft policies in response to public comments. There are a number of outstanding policy areas which staff has not yet completed its review and policy development, as noted in the staff reports on the program policies. Bond Counsel has done a preliminary review and advised on the public comment draft policies for the Homeowner Housing Development Program, the Rental Housing Development Fund and the rental housing Innovation and Opportunity Fund, and will complete a review of revised policies prior to staff making formal recommendations for adoption to your Committee and the Board of Supervisors.

While the Implementation Plan anticipated bringing proposed policies for both the Rental and Homeownership Development Programs for adoption to your Committee at this month’s meeting, due to the extent and depth of public comment received by July 10th, and the complexity of several of the issues to be addressed, Staff is bringing draft implementation policies for both the Rental Programs and the Homeownership Development program under separate staff reports for your review, without a formal recommendation today. This necessitates a change in the planned schedule of bringing the recommended policies to the full
Board of Supervisors for consideration. Staff anticipates bringing formal recommendation on policies to this Committee as early as possible in September and to bring recommendations to the full Board as soon as possible after the Committee’s approval.

**Selection Processes:**
Requests for Qualifications for Program Administrators for both the Down Payment Assistance Loan Program and the Housing Preservation Loan Program were issued in June. Submissions are due on July 31st and August 1st, respectively. HCD has reached out to staff at all of the cities to solicit participation in the review of submissions and the review panels. It is expected that recommendations for Program Administrators will be brought to the Health Committee no later than early October 2017. The development of implementation policies for these two programs will follow the selection of Program Administrators, as quickly as possible, and will involve a similar condensed iterative process of public input and draft policies for review as is being used in the development of the Rental Housing and Homeowner Housing Development programs.

Issuance of Requests for Proposals for both the Rental Housing Development and the Homeownership Housing Development programs are scheduled for Fall 2017, after approval by the Board of the Implementation Policies for these programs.

**Independent Oversight Committee:**
There is no change to the implementation schedule for the Oversight Committee. It is still expected that the proposal for the Oversight Committee will be brought to the Board for consideration in January 2018. Staff has not yet turned its focus to the proposal for this Committee, although some comments relative to it have been submitted during the implementation policy development process to date. Staff is collecting these comments and will consider them as part of the public comment process related to the development of the proposal for the Committee later this year.

**Staffing:**
To implement the Measure A1 Bond program, to date HCD has used existing staff, augmented by some Temporary Assignment Pool (TAP) employees and consultants. Additional positions are needed to fully implement the program. It is expected that the majority of costs of program delivery and administration will be covered by Bond proceeds. The Board adopted a Reimbursement Resolution on March 7, 2017 towards this end. HCD has almost completed projections of staffing needs and costs and expects to bring a Board letter requesting additional positions to the Board this coming September, in the context of information on projections of program delivery and administrative costs. CDA will work with the County Bond Team to incorporate projected County costs outside of CDA into this analysis.

**Emergency Funding Commitments of Rental Housing Development Base City Allocations:**
In February and March 2017, the Board of Supervisors approved funding resolutions to 11 rental housing development projects that were very far along in the development process and were negatively impacted by a sudden change in the market for Low Income Housing Tax Credits. These included:
- Five projects which needed to close construction financing to meet other financing deadlines:
Three of these have closed the financing and started construction, one without Measure A1 funds due to a restructuring of its financing sources.

Two are in the process of closing and are expected to start construction this summer.

- **Six projects which applied for Low Income Housing Tax Credits in Spring 2017**
  - Five of these projects received Tax Credit allocations in the March 2017 allocation round, and now must close construction financing by December 2017.
  - One project did not receive an allocation in March, but reapplied in the July 2017 allocation round and should hear whether it will receive an allocation by Fall 2017.

**Other Implementation Items:**
As part of the Measure A1 implementation, HCD is working on several related initiatives.

One related 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. HCD has gathered information on and is in the process of reviewing other County and city programs with similar goals to gain more detailed knowledge of what those programs require and how they work together, as well as discussing the existing small contractor bonding program and other County initiatives in process related to this area of work, and will bring recommendations to your Committee as soon as possible.

Another related initiative is to streamline the ways that households seeking affordable rental housing locate potential housing opportunities and simplifying the application processes for affordable rental housing. Thus far, HCD has met with several affordable housing developers that are also working on these issues, and has gathered information and reviewed the City of San Francisco’s one stop application system.

The third related initiative is the Small CBO/Faith-based Capacity Building Program, proposed to be funded initially by $750,000 in ‘Boomerang’ residual receipts, as presented to a joint meeting of your Committee and the Board’s Social Services Committee in April 2017. The Board letter on this and the other initial programs proposed for ‘boomerang’ funding, will be coming to the full Board on August 1st requesting formal approval. Initial discussions with the San Francisco Foundation have been held regarding the possibility of funds to augments the County’s contribution to this program. After approval by the Board, a Request for Proposals will be issued this summer to move forward on this program implementation.

**Bond Issuance and Availability of Funds:**
HCD anticipates that the County Bond Team will establish the size and timing of the bond issuances and that the first issuance will occur before March 2018. Prior to issuance, any rental development projects that have received an award of Measure A1 funds will be evaluated to determine if tax exempt bonds should be issued for these specific projects, rather than taxable bonds, in order not to conflict with and to maximize other sources of financing in those projects.

**Next Steps**
HCD will continue to move forward on the items in the Implementation Plan. Immediate next steps, as described above, include the completion of recommended implementation policies for the two rental housing programs and the Homeowner Housing Development Program, the completion of the procurement process for Program Administrators for the Down Payment Assistance Loan Program and the Homeowner Housing Preservation Loan Program, finalization of the staffing plan and approval of the estimated program delivery and administrative costs, and continued work on the related initiatives.

cc: Each member, Board of Supervisors
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