



ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY

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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: July 17, 2017

SUBJECT: Measure A1 Housing Bond Draft Policies -- Homeowner Housing
Development Program

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. 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 included the development of implementation level program policies, building off of the broad program descriptions approved by the Board of Supervisors on June 28, 2016 at the same time that the Board voted to place the Measure on the November 2016 ballot.

Home-ownership Development Program

The goal of the Homeownership Development 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 funding allocation is \$25 Million over the course of the bond program.

The 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 retired at the sale to an income-qualified household, and the County investment will remain in the home to keep it affordable for the long term. The County investment will be structured such that it will not cause an increase in the monthly costs of the homebuyer and that the home will remain as affordable housing.

Goals:

1. To assist in the development and long-term affordability of homeownership housing for low-income first-time homebuyer households.
2. Funds will be made available to developers of homeownership housing to help construct or acquire and rehabilitate homes for sale to low-income qualified households, with the intent that the funds remain with the housing units as subsidy for the low-income first-time homebuyers.
3. Homeownership Development funds will be available for County-wide geographic distribution with no regional allocations.

Program Implementation Policies

Exhibit A to this staff report are the current draft of the implementation policies, which incorporate comments from both the public meeting process described in Exhibit B as well as public comments received by July 10, 2017 at 5pm during the formal public comment period. Exhibit B describes the iterative and inclusive public process that HCD has conducted to date towards the creation of program implementation policies that are specific to the Measure A1 Homeowner Housing Development Program. Copies of all written comments received during the 30 day public comment period can be found on HCD's website:
<http://www.acgov.org/cda/hcd/bond.htm>

The framework under which the implementation policies are being developed includes the goals of utilizing the Measure A1 funds to increase affordable housing opportunities throughout the county as soon as possible, while ensuring that the income levels, target populations, geographic distributions, and other policies and parameters adopted on June 28, 2016 and approved by the voters are achieved. In addition the policies must meet the requirements related to the general obligation bond financing. As noted in the Implementation Plan approved by your Committee on January 23, 2017, as part of the Measure A1 implementation HCD is working on several related initiatives, which have implications for the implementation policies. These include linking the Bond program with related job training, apprenticeship, and employment opportunities for the target populations of the Bond's housing programs, and an initiative to streamline the ways that households seeking affordable rental housing locate potential housing opportunities and simplifying the application processes for affordable rental housing. An additional related initiative is the Small CBO/Faith Organizations Housing Development Capacity Building Program, proposed to be funded by 'boomerang' funds set aside by the Board for affordable housing and homeless programs.

Next Steps

Staff will continue to develop policies in the identified areas, as well as take comments on the current draft policies since this is the first opportunity commenters have had to review the revised policies after the close of the formal public comment period. Staff anticipates bringing

Board of Supervisors Health Committee

July 17, 2017

Page 3 of 3

formal recommendations on policies to this Committee as early as possible in September and to subsequently bring recommendations to the full Board as soon as possible after the Committee's approval.

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

Exhibit A

DRAFT Measure A1 Implementation Policies

Homeowner Housing Development Fund

On June 28, 2016, the Alameda County Board of Supervisors placed Measure A1 on the November ballot for \$580 million in general obligation bonds designated for affordable housing, and adopted a program summary outlining basic parameters of programs to be funded. The residents of Alameda County voted to support Measure A1 on November 8, 2017, and Alameda County's Housing and Community Development Department (HCD) is implementing this program.

Of the Bond's five programs, one is intended to increase the long-term affordable homeownership housing inventory in Alameda County. Detailed Implementation Policies have been developed to guide the use of the funds allocated to the Homeowner Housing Development Fund.

Framework

When the Alameda County Board of Supervisors placed Measure A1 on the ballot, program summaries of the programs to be funded by the Bond were adopted at the same time. For this program, that included:

1. To assist in the development and long-term affordability of homeownership housing for low-income first-time homebuyer households.
2. Funds will be made available to developers of homeownership housing to help construct or acquire and rehabilitate homes for sale to low-income qualified households, with the intent that the funds remain with the housing units as subsidy for the low-income first-time homebuyers.
3. Homeownership Development funds will be available for County-wide geographic distribution with no regional allocations.

The adopted Program Summary provides the overarching framework for these program. These implementation policies, once adopted by the Board will provide implementation-level parameters for how the programs will operate. In addition, HCD will continue to use its existing Administrative Loan Terms (see Attachment A) and detailed Housing Development Policies and Procedures for specific project requirements within the framework of the Measure A1 documents. Specific policies to guide implementation of the Measure A1 Rental Housing Development Fund and the Rental Housing Innovation and Opportunity Fund are outlined below.

It is anticipated that some of these initial Implementation Policies will evolve over time. HCD will track and report on implementation on an annual basis, including recommendations for any needed modifications to policies to ensure achievement of Measure A1 goals.

POLICIES FOR AFFORDABLE HOMEOWNER HOUSING DEVELOPMENT PROGRAM

A. Income Levels and First Time Homebuyer Status

Policy Adopted June 28, 2016

- i. Project funds will serve households with a maximum income of 80% of Area Median Income (AMI).
- ii. Sale of homes will be restricted to “First Time Homebuyers.”

Additional Proposed Policy: Eligible Homebuyer Criteria

- i. “First Time Homebuyer” will be as defined by the Internal Revenue Service (IRS) or as defined by another funding source in a proposed project, as approved by the Housing Director in order to maximize leveraging of Measure A1 funds.
- ii. Unit must be the first-time homebuyer’s primary residence
- iii. Homeownership and financial counseling will be mandatory for homebuyers.

Additional Proposed Policy: Homebuyer Selection Criteria

- i. A Marketing Plan is required of all projects to ensure fair access and equal opportunity for units assisted with Measure A1 funding.
 - a. The Marketing Plan must include proactive notification of sales opportunities to a wide array of organizations, including but not limited to Alameda County 211, Realtor organizations in Alameda County, the Board of Supervisors, neighborhood and faith-based organizations, community groups, nonprofit organizations and others which sign up with HCD to be notified.
 - b. The Marketing Plan will include outreach and engagement to neighborhood-based organizations in the neighborhood in which the housing is located in order to provide opportunities to avoid displacement in that specific community.
- ii. To the extent allowed by law, Alameda County residents, those displaced from Alameda County, and Alameda County workforce will be given priority.
 - a. The Marketing Plan must include a viable and proactive strategy for securing applications from population groups traditionally underrepresented in homeownership.
- iii. Selection of potential homebuyers from eligible applicants will occur through a lottery or other process which ensures fair access.
- iv. Should HCD develop a “Single Point of Access” affordable housing opportunities list system, all projects funded by Measure A1 will be required to utilize the system.

B. Project Selection Criteria:

Policy Adopted June 28, 2016

- i. Projects must have units restricted to first-time homebuyers at or below 80% of AMI and provide long-term affordable homeownership housing.

Additional Proposed Policy:

- i. Developer must have site control at time of application, unless project is a scattered-site home acquisition and rehabilitation proposal.

- ii. Mixed-income projects including homes at moderate and/or market rate are eligible, but only the units below 80% AMI will receive Measure A1 funding.
- iii. GreenPoint Rating: Projects will be required to meet the minimum scores in each category in each GreenPoint Checklist section.
- iv. Where applicable, HCD will use its existing Administrative Loan Terms (see Attachment A) and detailed Housing Development Policies and Procedures for overall requirements. These policies for Measure A1 funding will take precedence in the instance of any conflicts.
- v. Developer must demonstrate market demand for the specific project at its specific location.
- vi. Developer must demonstrate previous success with homebuyers at the 80% or below Area Median Income level.
- vii. Rating Criteria shall include:
 - a. Proximity to employment centers or public transit
 - b. Financial feasibility and cost reasonableness.
 - c. Access to neighborhood services.

C. Eligible Types of Projects:

Policy Adopted June 28, 2016:

- i. New construction
- ii. Acquisition & rehabilitation

Additional Proposed Policy:

- i. Projects must meet all Measure A1 policies and requirements for this program.
- ii. Land Trust/long term ground lease ownership housing projects are permitted.
- iii. Eligible acquisition and rehabilitation projects may include “naturally occurring affordable housing” (e.g. a multi-family building in which the majority of residents meet the income requirements and choose to become homeowners, therefore converting the property from rental to ownership) or scattered site single family units that are purchased, rehabilitated, and resold to income-qualified residents.
- iv. Projects that will permanently displace current low- or moderate-income residents are ineligible for Measure A1 funding.

D. Eligible Uses of the Funds

Policy Adopted June 28, 2016

- i. Uses of funds will be flexible, within the parameters of eligibility for use of general obligation bond proceeds
- ii. Construction loans

Additional Proposed Policy:

- i. Acquisition of land is eligible, so long as a project is developed in a reasonable amount of time. “Reasonable” is defined as starting construction within three years after acquisition. This may be modified at the Housing Director’s discretion, so long as the project is making satisfactory progress towards milestones. Repayment of

- acquisition funding would be required should a project not start construction within the specified time period.
- ii. Long-term land banking is not expected to be funded under the Homeowner Housing Development Fund.
 - iii. Standard soft costs associated with development is eligible.
 - iv. Temporary Relocation Costs are an allowable project cost, as part of the normal costs of development, and may, upon approval of Bond Counsel, be an eligible cost for Measure A1 funding.

Form and Term of Development Financing:

Policy Adopted June 28, 2016:

- i. Funds for project development will be provided in the form of loans, which will convert to loans associated with each home when purchased by the homebuyer.
- ii. Note: The adopted program anticipated that development loans would be converted into down payment assistance loans structured similarly to the Measure A1 Down Payment Assistance Loan Program when the home is purchased by an eligible household. The proposed policy below allows for more flexibility for the construction loans to be converted in a wider variety of forms to assure feasibility and maximum affordability of associated costs of homeownership as influenced by the form of the Measure A1 funds.

Additional Proposed Policy:

- i. Development loans will be documented with loan documents provided by the County and secured by a deed of trust recorded against the property. The County will also record interim affordability restrictions to ensure that the property is used for affordable ownership housing upon completion of construction.
- ii. Upon sale of individual homes to eligible homebuyers, the development loan will be repaid or the homebuyers will assume a pro rata portion of the loan with new security documents. The portion of the loan assignable to homeowners may also be forgiven upon sale if HCD determines that such forgiveness is necessary for feasibility or to cause property taxes on the homes to be based on the affordable sales price. In any event, an individual homebuyer Resale Restriction and Affordability Agreement will be recorded against the home to protect the County's investment.

E. Leverage Requirements

Guiding Principle Adopted June 28, 2016:

HCD seeks to leverage other sources of affordable housing financing.

Additional Proposed Policy:

Additional points may be awarded in competitive processes to incentivize leverage in applications for funding.

F. **Amount of Measure A1 Investment per Project/Unit**

Guiding Principles Adopted June 28, 2016

- i. Maximize leverage and produce the largest number of units possible
- ii. Select feasible projects

Additional Proposed Policies:

- i. Fund projects at a level to ensure viability for the life of the resale restriction.
- ii. The maximum amount of Measure A1 Homeownership Housing Development funds available to the project on a per unit basis will be the reasonable and comparable development costs for similar projects (as determined by County Housing Director) less the first mortgage loan and required down payment and any additional leverage. See Attachment B as an example.
- iii. The Measure A1 funds must fill a gap and not supplant other funding.

G. **Maximum Sales Price Calculation**

Additional Proposed Policies:

- i. Sale prices will be established at a level 10% below the maximum household income limit. For example, housing units targeted to households with incomes at or below 80% AMI will have a sale price affordable to a household with an income at 70% AMI. Price will not adjust based on specific homebuyer household income.
- ii. When setting the sale price, household size will be assumed at one person per bedroom plus one person. For example, the maximum sale price of a two-bedroom home will be calculated based on the applicable income level for a household size of three.
- iii. The Housing Cost to Income ratio will be a maximum of 35%, unless restricted by other sources. "Housing Cost" will include mortgage principal and interest, property taxes, insurance, estimated utilities, minimum maintenance reserve, and (if required) mortgage insurance (PMI) and homeowner association fees.
- iv. The minimum homebuyer down payment required will be 3% of the restricted sale price.
- v. For sweat equity programs, the portion of down payment paid by the homebuyer can be adjusted lower than 3% as approved by the Housing Director, in recognition of the value of sweat equity provided by the homebuyer household.
- vi. HCD will establish an occupancy standard regarding minimum household size at initial home purchase, for example, a one person household would not eligible to purchase a three bedroom home.

H. **Homebuyer Affordability Terms:**

Adopted Policies (June 28, 2016):

- i. Repayment of Measure A1 Bond funding is deferred with no monthly payments to add to buyer cost burden.

- ii. The loan will only be due and payable if or when the home is sold or transferred to an ineligible household.

Additional Proposed Policy:

- i. Repayment will be required should the homebuyer no longer use the home as their principal place of residence.
- ii. The Homebuyer's first mortgage will be a fixed rate mortgage with a term no shorter than 30 years.
- iii. HCD will hold counseling sessions with the homebuyers to explain the program requirements and to review all legal and disclosure documents relating to the long term ownership of the housing purchased.
- iv. The affordability term length will be 99 years and will reset at each re-purchase or transfer to a new eligible homebuyer to achieve permanent affordability.
- v. The Resale Restriction Agreement may include a Grant of the Right of Repurchase to the County, developer or an assignee.
- vi. The homeowner's restricted future resale price when sold to a new eligible homebuyer:
 - 1. The resale Sale Price will be calculated utilizing the percent of Area Median Income used to calculate the original Sale Price (for example 70%) and other factors used to determine the initial sale price in order to maintain affordability over time at the original specified income level.
 - 2. Homeowner's receipt of equity upon resale is limited to an amount equal to the restricted resale price plus documented capital improvements, minus any deferred maintenance or repair costs, the first mortgage and any other liens on the property at the time of resale.
- vii. In the event of a resale where no eligible homebuyer can be found within a reasonable period of time after extensive marketing and outreach, the property may be sold at market rate with the Housing Director's approval, and all Measure A1 loan funds plus the difference between the actual resale price and the affordable resale price as calculated in section iii above will be paid to HCD, in order to avoid windfall profits and maximize the possibility of permanent affordability or the ability to finance another affordable home with the proceeds of sale.

I. Layering of Down Payment Assistance Programs with Development Funding:

Additional Proposed Policy:

- i. Allow down payment assistance programs, including CalHFA, State HCD or individual city programs, to be layered with the homeownership development program, unless conflicting requirements render it infeasible.
- ii. Layering of Measure A1 DALP funds is permitted, with an emphasis on targeting lower-income educators and first responders who meet the income requirements for the Homeowner Housing Development Program.

J. **Developer Requirements**

Additional Proposed Policies:

- i. The County will Fund Tier One Developers. See Attachment A for Tier One Developer specifications.
- ii. Application must demonstrate current capacity of the development team to accomplish the project.

K. **Contract Administration and Compliance**

Additional Proposed Policy:

- i. Post-closing compliance monitoring will be required with annual communication with homeowner and verifying evidence of occupancy. A one-time fee may be charged for monitoring as part of eligible project costs.

M. **Wage Levels and Employment Opportunities – NOTE: Staff has not yet completed its review and policy development in this area**

Existing Policy:

Projects must meet all applicable County wage and hiring requirements.

Additional Proposed Policy: Should the County establish Job Training and Career Pathway programs specifically tied to Measure A1, projects funded by the Measure A1 Bond shall meet the requirements, as applicable.

- i. HCD may provide additional points in a Request for Proposals (RFP) for projects that coordinate with, and propose use of, career pathway programs.

See Attachment A for Administrative Loan Terms

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Attachment A

Alameda County Housing and Community Development Department

Administrative Loan Terms

Alameda County Housing and Community Development Department (HCD) maintains a set of Administrative Loan Terms used to implement its Affordable Housing Development Program. These policies are updated periodically, as changes occur in the affordable housing finance field. The key policies outlined below do not represent all requirements of HCD funding. For additional details, please see HCD's Affordable Housing Development Policies and Procedures, an annual Request for Proposals document and HCD's Loan Documents.

A. Loan Documents:

It is anticipated that regardless of how funds are initially used, they will roll into permanent financing secured by long term debt against the real estate secured by a Deed of Trust and Regulatory Agreement or Resale Restriction Agreement that borrowers will sign documenting HCD's investment and ongoing requirements. Use of HCD's existing affordable housing development program policies as of the date of the contract will govern loan terms and HCD imposed requirements.

- i. Contract for funding, approved by the Board of Supervisors
- ii. Loan Agreement
- iii. Regulatory Agreement
- iv. Promissory Note
- v. Deed of Trust
- vi. Subordination Agreement(s) (as applicable)

B. Term

See Measure A1 Policies for Homeowner Housing Development Program

C. Interest Rate

See Measure A1 Policies for Homeowner Housing Development Program

D. Payments

See the Measure A1 Policies for Homeowner Housing Development Program

E. Security

Deed of Trust recorded against fee title or leasehold interest.

F. Regulatory Agreement/Resale Restriction Agreement

The HCD Regulatory Agreement must be recorded against the fee title interest on the property and in senior lien position to bank loan documents. In leasehold transactions, the Regulatory Agreement/Resale Restriction Agreement must be on the fee title.

G. Income Restrictions

See the Measure A1 Specific Policies for Homeowner Housing Development Program

H. Rent Increases

Not applicable

I. 4% MFMR Bond Projects

Not applicable

J. Replacement Reserve

Not applicable

K. Operating Reserve

Not applicable

L. Developer Fees

10% of total development costs up to a maximum set by Housing Director.

M. Retention

\$50,000 of HCD's loan funds must be allocated toward the developer fee and held as a performance retention, to be paid upon completion of construction and delivery of close out items.

N. Asset/Partnership Management Fees

Not applicable

O. Loan Fees

HCD may charge a loan closing fee.

P. Monitoring Fees

HCD may charge a monitoring fee for each HCD-restricted unit.

Q. Insurance Minimums

- i. Workers Compensation: to the extent required by law, including Employer's Liability coverage, at least \$1,000,000 each accident
- ii. Commercial General Liability: \$2,000,000 per occurrence
- iii. Commercial Automobile Liability: \$1,000,000 per occurrence
- iv. Builder's Risk/Property: 100% of property replacement value
- v. Commercial Crime: covering all officers and employees, for loss of HCD loan proceeds caused by dishonesty
- vi. Borrower must ensure that any general contractor or subcontractors maintain the insurance in #1-3 in the amount of \$1,000,000 each.
- vii. Commercial General Liability and Automobile Liability insurance policies must be endorsed to name as an additional insured HCD, and its officers, agents, employees and members of the County Board of Supervisors.
- viii. These are subject to change based on County Risk Management requirements

R. Record Retention

Records related to Alameda County bonds or loans used to fund construction or rehabilitation of low-income housing, including individual homeowner loans and multi-family rental housing developments must be kept for the length of time the property is restricted plus 6 years.

S. Reports

- i. Quarterly progress reports required during construction and with any invoice;

T. Change Orders

For construction period loans, construction change orders are subject to HCD's approval.

U. Subcontracts

- i. Contractor must submit proof that subcontractors are not debarred prior to construction loan closing.
- ii. HCD requires competitive bidding for all subcontractors.

V. Construction Contingency

- i. **New Construction:** 10% required at initial application, but can drop down to 5% remaining after construction bids are known.
- ii. **Rehab:** 15% construction contingency required.

W. Jobs/Hiring

See the Measure A1 Specific Policies for Job/Hiring requirements.

X. Subordination

HCD will not accept standstill provisions or enter into a standstill agreement requested by senior lenders that prohibits HCD from exercising remedies during a specified period after a default.

Y. Developer Criteria

HCD awards funds to Tier One developers. In order to be considered for funding under the Tier One criteria, a developer must demonstrate experience and capacity to complete the project. Experience includes the successful development and completion of three projects of a similar size and scope by the developer. Capacity include having staff assigned to the project who have worked on similar projects and whose resumes demonstrate their ability to guide the project through all stages of the development process. For developers that do not meet these requirements, a partnership with a Tier One developer is required. Long term ownership entity for rental housing development must include a Tier One developer and its capacity to oversee the asset management of the building over the course of the regulatory agreement. See HCD's policies and procedures for more details.

Z. HCD's Costs

Developer (or Project) to pay for required 3rd party environmental review (NEPA/CEQA), HCD's legal costs associated with development and execution of project

legal documents, wage monitoring associated with the project, and construction management costs associated with overseeing the progress of construction.

These administrative loan requirements are updated regularly in connection with the annual Request for Proposals process, as approved by the Housing Director. HCD's objective is funding affordable housing that is financially viable over the long term loan and regulatory period as well as meets the County's fiduciary responsibilities in relationship to funding sources.

Attachment B – Financing Example

A1 Bond Homeownership Development example:

20-unit project, 100 % affordable at 70% AMI, average size = 3BR

Total Development Cost:	\$10,000,000
Total Development Cost/unit:	\$500,000
Other Grants/Donations:	\$1,000,000
Buyer incomes (example): 70% AMI = \$73,000 average household income (4 person Household)	
Affordable Sale Prices:	\$245,000

Hypothetical permanent financing example:

1 st Mortgage from Lender:	\$230,000	(30-year fixed, 5% interest)
Personal Down Payment (3%)	\$15,000	(combination Cash, IDA match, gift, or sweat equity)
Other grant/donation liens	\$50,000	(likely recorded 3 rd deed)
<u>A1 Bond Gap financing</u>	<u>\$195,000</u>	(Recorded, No-interest Deed of Trust, 99 years)
Total	\$500,000	

Exhibit B

Public Process and Comments Received

Measure A1 Homeowner Housing Development Policies

Public Process to Date

An inclusive and multi-faceted community input process has been utilized for the development of implementation policies for the homeowner housing development program. A series of input meetings were held prior to release on June 9, 2017 of the Draft Homeowner Development Program policies for a formal comment period which ended on July 10th. Input from these meetings was taken into consideration in the development of the draft implementation policies released for comment. The input process included:

- The Measure A1 Implementation Schedule and list of community meetings to be held was widely publicized on April 20, 2017 through emails to everyone who signed up to receive notices on HCD's Measure A1 and Interested Developers listserves, encompassing approximately 1400 email addresses of interested individuals and organizations. HCD convened meetings with staff from all the cities in the county in late January and early February 2017 to discuss broad concepts related to the Program policies and HCD staff talked with various city staff directly in April and May to gather their additional input on key policy issues as they related to existing homeowner development programs in those cities. This input was reflected in the draft policies released June 9, 2017.
- In May and June 2017, two community meetings were held and attended by a diverse array of advocacy organizations, realtors, faith-based organizations, developers, and city staff. An outline of the June 28, 2016 adopted policy areas and key outstanding questions was distributed and discussed at these meetings. Numerous comments were noted by staff and incorporated into the draft policies.
- On June 9, 2017, a draft of implementation policies was released for public comment, with comments due by July 10th. The initial deadline requested written comments to be submitted by 10 a.m., although staff accepted and included public comments received until close of business on July 10th. Comments were received via U.S. Mail, email, and hand delivery. Additional input was provided by Board of Supervisors staff.
- HCD received additional comments via email, phone, and letters during this period. Additional input was provided by Board of Supervisors staff.

In total, 14 written public comments were received regarding the draft homeownership policies during the comment period. Copies of these written comments may be found on HCD's website, <http://www.acgov.org/cda/hcd/bond.htm>. These comments represented 13 organizations and were signed by 14 individuals.

Bond Counsel has performed a preliminary review of the public comment draft policies and will perform a review of revised policies prior to staff making formal recommendation for adoption to the Board.

Schedule

While the January 23, 2017 Implementation Plan anticipated bringing proposed policies for adoption this month, 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 this update without formal recommendation at this time. This change will also necessitate a change in the published schedule. 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.

Outstanding Key Issues

There are a number of key policy areas for which staff is still completing development of recommended policies, including analyzing comments received. These include policies related to the following areas:

- Workforce and employment, including Small, Local and Emerging Business requirements, Project Labor Agreements, local enterprise and hiring requirements, small contractor bonding program, and the Enhanced Construction Outreach Program,

Some comments were received on policies which are not yet being proposed, for example on the form and functions of the Oversight Committee. Per the Implementation Plan, staff will bring recommendations on the Oversight Committee by January 2018. These comments have been noted and will be considered as part of that work, however staff does not anticipate recommending that the Oversight Committee's purpose change from annual review of Measure A1 implementation to ensure that Bond proceeds are being spent in compliance with the ballot Measure to functioning more as a pro-active loan committee and decision maker on specific project loan terms.

Some comments requested greater specificity on certain policies related to County loan terms for future housing developments financed with County Measure A1 Bond funding. These comments have been noted and will be responded to in the Request for Proposals and procurement process once the Implementation Policies have been adopted by the Board. The Board-adopted Program Summary and the Implementation Policies, once adopted, provide the overarching framework and parameters for this program, while allowing sufficient flexibility to respond to the specific details and feasibility and financing analysis of associated with the future projects.

Additionally, comments were received that recommended that allowable income for homebuyers go up to 140% Area Median Income (AMI). Staff has not incorporated this recommendation. The stated goal of the Homeowner Development Fund as adopted by the Board in the Program Summary is to assist low- -income households at or below 80% of AMI. The Measure A1 Down Payment Assistance Program has a maximum income level of 150% of AMI specifically to serve higher middle-income households. . Further, comments were received recommending that the County prioritize development within already-designated Priority Development Areas. The draft already contains a prioritization of locations near public transit, and Priority Development Areas are a subset of these locations. Comments were also received regarding prioritizing DALP funds for moderate-income homebuyers. Staff is not proposing a change to the policies on this issue at this time.

Exhibit A contains the draft policies with recommended changes to date incorporated from the public comment period. Below is a summary of key changes made in response to the comments received during the comment period

Highlighted Policy Changes to Public Comment Draft Policies

Anti-Displacement

Several comments were received related to adding more explicit anti-displacement language to ensure that Measure A1 funding will be used to stem displacement and to safeguard against funded projects causing displacement of existing low- or moderate-income residents. Staff has added language to explicitly prohibit Measure A1 funds from being used to finance projects that would permanently displace current low- and moderate-income residents.

Marketing Plan

Several comments requested that the Marketing Plan include a minimum set of marketing strategies and targeted outreach. The intention of the draft policies is that broad outreach is required. Language has been added to explicitly require proactive notification of sales opportunities to a wide array of organizations, outreach to local neighborhood-based organizations, and viable and proactive strategies to secure applications from groups traditionally underrepresented in terms of homeownership.

Sales Price Calculation

Some comments recommended changes to the maximum sales price calculations. These comments included a recommendation for clarity regarding allowable maximum household size. Policy language has been added regarding the assumed household size used to calculate the Sales Price.

Timing of Acquisition and Start of Construction

Comments were received that requested clarification regarding what is considered a “reasonable” amount of time after site acquisition by which construction must begin. In response to the comments, the definition of reasonable amount of time has been modified to allow more flexibility while still encouraging development as quickly as possible. The Policy has been modified to state that site acquisition is an eligible use of funds, so long as project construction starts within three years after acquisition. Extensions are allowed as long as the project is making significant progress towards these milestones.