



ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY

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Agenda Item _____ October 17, 2017

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Honorable Board of Supervisors
Administration Building
Oakland, California 94612

Dear Board Members:

**SUBJECT: MEASURE A1 HOUSING BOND PROPOSED
IMPLEMENTATION POLICIES – RENTAL HOUSING
DEVELOPMENT PROGRAMS**

RECOMMENDATIONS:

It is recommended that your Board review and discuss the proposed implementation policies for Measure A1 Rental Housing Development Programs and provide direction for staff.

Background

Measure A1, the countywide Housing Bond, was passed by over 73% of the voters in November 2016. Implementation of the Bond programs is expected to be substantially completed over an eight-year period. It will fund three programs related to homeownership and two rental housing development programs.

Within the program framework adopted by your Board for Measure A1 in June 2016, the Community Development Agency's Housing and Community Development Department has been engaged in iterative public processes since February 2017 to develop implementation-level policies for the Rental Housing Development Programs under the Bond.

The initial Measure A1 Implementation Plan, including the process for development and adoption of the implementation policies, was discussed at a January 2017 meeting of the Health Committee Sub-Committee on Housing, and updates have been brought to that Committee in April, May, July and October. On October 2, 2017 the Committee heard and reviewed the proposed draft of the Rental Housing programs implementation policies and took public comment.

The adopted program framework under which the implementation policies have been 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 are achieved, including leveraging Measure A1 funds as much as possible. In addition the policies must meet general obligation bond requirements.

Regarding leveraging of A1 funds, a critical timing issue is related to the State's Affordable Housing and Sustainable Communities (AHSC) program, for which proposals are due in January 2018. The State's Request for Proposals released \$255 Million under this program, which are critical leverage for the next round of Measure A1 funded rental projects. Adopting the implementation policies by the end of October will provide sufficient time for staff to receive projects from cities under their Base City Allocations and then to review, and recommend projects to your Board for Measure A1 funding commitments that will maximize the chance of success for obtaining AHSC funding.

This letter presents a broad overview of the proposed policies for the Measure A1 Rental Housing Development Fund and the Rental Innovations and Opportunity Fund. Exhibit A is the proposed policies, Exhibit B is a proposed resolution with findings related to the housing needs of and the public purpose of providing housing to the Measure A1 target populations, and Exhibit C provides background and draft workforce policy proposals for review and consideration.

A. Rental Housing Development Fund

Under the program framework adopted by your Board in June 2016, the goal of the Measure A1 Rental Housing Development Fund is to assist in the creation and preservation of affordable rental housing for vulnerable populations. The total allocation to this Fund is \$425 Million over the course of the Bond program, and includes both \$200 Million for Regional Pools and \$225 Million for Base City Allocations per established formulas.

The program framework also listed a number of specific target populations for different components of the Bond programs. The draft resolution attached as Exhibit B documents the housing needs of the target populations and makes findings regarding the public purposes served by providing housing priority for the designated populations.

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, each financed developments must include a financial contribution from the city in which it is located. Developments financed must remain affordable for no less than 55 years.

Guiding Principles for Measure A1 Investment:

1. Maximize leverage and produce the largest number of units possible.
2. Select feasible projects that can compete well for State/Federal financing.
3. Fund projects at a level to ensure viability for the life of the regulatory period.
4. The Measure A1 Bond proceeds must fill a gap and not supplant other funding.

Affordable housing projects typically have at least six sources of funding, and often as many as ten or more sources. Projects which are leveraged with other funding sources must comply with the requirements of those funding sources, as well as with Measure A1 requirements. HCD's goal in drafting the implementation policies is to achieve the adopted Measure A1 goals, while creating policies that work with other funding source requirements and support the ability of projects to access additional sources of funds, such as Low Income Housing Tax Credits, the State Affordable Housing and Sustainable Communities program, and others.

The vast majority of the projects are expected to be funded by the Low Income Housing Tax Credit (LIHTC) program. These are very competitive programs, and projects in Alameda County currently compete against projects in Contra Costa, Sonoma, Solano, Napa and Marin counties.

- The 9% LIHTC Program provides approximately 70% of Total Project Costs.
- The 4% LIHTC Program provides approximately 30% of Total Project Costs.

Projects funded by tax credits have very specific requirements regarding total project costs and time deadlines which are not negotiable. If the developer does not meet these requirements, it will cause them harm in the future project applications (negative points) which will affect their ability to operate and build affordable housing in the future.

Exhibit A is the proposed implementation policies for rental housing programs funded by Measure A1. The implementation policies are within the framework adopted by your Board in June 2016, with additional implementation-level detail. The policies incorporate responses to comments received over the course of the implementation process.

- I. Income levels: The majority of the units are expected to serve very low income households between 30-60% of Area Median Income (AMI), with a minimum of 20% of the units developed serving households at 20% of AMI and a maximum of 5% of the funds spent on households at 80% of AMI.
- II. Project Selection Criteria: A broad list of criteria is included in the policies regarding requirements for projects funded under Measure A1. This includes the minimum number of years the project must remain affordable, a financial contribution by the city in which the project is located, target populations for the projects funded, and priority for residents and workers in Alameda County. The proposed policies also include additional points in competitive processes for projects which include partnerships with nonprofit local community-based and faith-based organizations and those developers which have exceeded workforce goals in past projects.
- III. Eligible Types of Projects: This section specifies that the types of projects eligible for funding are permanent housing (except for portions of the Base City Allocations which can be used to support crisis, emergency, or interim housing for homeless households, as addressed under the specific section on Base City Allocations). New construction, acquisition and/or rehabilitation of existing buildings, multi-family buildings, and scattered site single-family, commercial or industrial buildings which will be legally

converted to residential uses are all eligible. The policies stating that projects which would permanently displace lower-income residents are not eligible, and specifies temporary relocation benefits will be provided if temporary relocation is required, to rehabilitation units for example.

- IV. Eligible Uses of Funds: This section provides a broad list of types of costs that are eligible, including predevelopment and soft costs, acquisition of land or buildings, construction period costs, temporary relocation costs, financing and legal costs, and developer fees. Long-term land banking is specified as an ineligible use of Measure A1 funds.
- V. Amount of Investment Per Project/Unit: This section provides guidance on the total amount of Measure A1 investment per project, provides for a higher level for special needs or small projects, and clarifies the number of units to be restricted based on the amount of the investment and the maximum amount per unit guidelines produced by the State of California for some of its programs.
- VI. Match Requirements: This section contains policies related to requirement that Measure A1-funded rental development projects require a match from the local government in which the project is located. The minimum amount and types of match is outlined.
- VII. Leverage Requirements: This section affirms the County's goal of projects accessing additional funding sources to the maximum extent possible, bringing local, state and federal funding sources, into each of the projects that are funded by Measure A1.
- VIII. Wage Levels and Employment Opportunities: Your Board's adopted the policy, that the rental development projects will pay wage rates equivalent to state prevailing wages, is included in this section. There are additional outstanding items related to this section that are outlined in the attached Exhibit C, specifically regarding Project Labor Agreements, Local Hire and Local Contracting goals.
- IX. Single Core Tenancy Application/Posting of Unit Openings: This section lays out HCD's goal of creating an easier process for potential tenants to learn about and apply to affordable housing units countywide. This is a policy statement, and is a body of work that will be addressed in the future.
- X. Geographic Distribution of Funds: This section includes the division of funds between the four Regional Pools and the Base City Allocations, as adopted by your Board in June 2016.
- XI. Base City Allocation: In the broad policy framework adopted by your Board in June 2016, the cities were allowed to select their own projects using their own procurement processes for the Base City Allocation funds. They are responsible for applying to the County for the use of their funds, and providing the required documentation. Under the implementation policies, the cities are also required to meet the requirement that 20% of the units supported by each city's Allocation be restricted to households at 20% of Area Median Income. Initially, 10% of each Base City Allocation will be reserved to cover the

County's bond issuance and program delivery/administration costs.

- XII. Base City Allocation – Types of Projects: This section provides guidance that cities may use a portion of their allocation to fund interim, crisis or transitional housing for homeless households but that they must identify funding sources associated with operations and services prior to HCD approval of the use of Measure A1 funds, as was specified in the adopted program framework.
- XIII. Base City Allocation – Loan Administration: This section clarifies that while the cities may select and recommend projects, the County will administer the funds and associated loans, and has the ultimate responsibility for use of Measure A1 funding.
- XIV. Base City Allocation – Deadlines: This section outlines the deadlines by which cities must commit the funds in their Base City Allocations (4 years from adoption of the policies) and subsequently expend the funds (3 years from their commitment), or the funds will be transferred to the Regional Pool in which the City is located.
- XV. Regional Pools – Procurement: In this section, the policies specify that any project accessing regional pool funds must have a match from the city in which is located (or unincorporated county), that projects will be selected in a Request for Proposal (RFP) process, and that initially, 10% of each pool will be reserved to cover the County's bond issuance and program delivery/administration costs.
- XVI. Regional Pools – Deadline: Similar to the Base City Allocations, the Regional Pools will have commitment (5 years) and expenditure (3 years from commitment) deadlines, and if not met because there are no projects coming forward from that region, the funds may be accessed to support A1-eligible developments in other areas of the County.

B. Innovation and Opportunity Fund

As adopted by the Board in the June 2016 Program Description, the goal of this component of the Bond program is to support the ability of affordable housing developers to respond quickly to real estate opportunities (properties that are for sale) that arise in the market, to preserve and expand affordable rental housing and prevent displacement of current low-income tenants. As described in the Program Description: "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. ... 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."

The proposed policies currently relate to the implementation of the rapid-response, high-opportunity site acquisition and predevelopment loan program, proposed to be called the "Acquisition and Opportunity Fund". HCD is evaluating similar existing programs and may


propose selecting a Program Administrator to administer this fund in order to maximize leverage of Measure AI funds and increase efficiencies in the development process.

HCD plans to continue developing innovative program proposals for this Fund and to bring them, along with implementation policies, for consideration. Some future possibilities for these additional programs include programs related to Board and Care homes or other special needs community living facilities, and support for development of Accessory Dwelling Units on single-family parcels.

Next Steps

These implementation policies are presented to your Board for discussion and comment. After receiving comment and direction, HCD hopes to bring final policies to your Board for adoption by the end of October. Contingent on Board adoption of the policies, HCD will then be able to accept project applications from cities under their Base City Allocations and subsequently bring projects for approval to your Board on a schedule which will allow projects that are ready to apply for funds under the January 16, 2018 deadline for the State's Affordable Housing and Sustainable Communities (AHSC). This is an important source of leveraging and the State has recently increased the amount of funding which will be available statewide from \$155 Million to \$255 Million.

Very truly yours,


for Chris Bazar, Director
Community Development Agency

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

Exhibit A

Measure A1 Implementation Policies

Rental Housing Development Fund & Innovation and Opportunity 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 the Measure A1 Bond by 73% in favor on November 8, 2016. Alameda County's Housing and Community Development Department (HCD) is implementing the programs under the Bond.

Of the Bond's five programs, two are intended to increase the affordable rental housing inventory in Alameda County. Implementation-level policies have been developed within the framework of the program parameters approved by the Board in June 2016 to guide the use of the funds allocated to the Rental Housing Programs.

Adopted Program Summary Framework

When the Alameda County Board of Supervisors placed Measure A1 on the ballot, they adopted a program summary which framed each of the programs to be funded by the Bond.

- To create and preserve affordable rental housing for the County's most vulnerable current and displaced households, including low-income workforce households.
- The rental housing allocation includes funding for a Rental Housing Development Fund as well as for a Rental Housing Innovation and Opportunity Fund.
 - a. The Rental Housing Development Funds will be distributed throughout the county by formula in two different ways: Creation of four regional pools (North/Mid/South/East) and "Base City Allocations" for financing projects in each jurisdiction.
 - b. The Rental Housing Innovation and Opportunity Fund will be available county-wide with no geographic distribution by formula.

The adopted Program Summary provides the overarching framework for these programs. These implementation policies, once adopted by the Board, will provide more detail for how the programs will operate while still providing flexibility to implement the programs. In addition, HCD will continue to use its existing Administrative Loan Terms (see Exhibit A) and detailed Housing Development Policies and Procedures, as applicable to Bond programs (see <http://www.acgov.org/cda/hcd/rhd/requirements.htm>) for specific project requirements.

Measure A1 policies for the **Rental Housing Development Fund** and the **Innovation and Opportunity Fund** that are different or more restrictive than the administrative policies and procedures listed above are outlined under Sections I and II below. Projects that received early commitments of Measure A1 Base City Allocation financing in Spring 2017 will not be subject to new or conflicting provisions in these policies. However, those projects will be subject to any Measure A1 Bond or other legal requirements as determined necessary by Bond Counsel.

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 modifications to policies to ensure achievement of Measure A1 goals or for legal compliance.

Note that for the purposes of these policies, unless explicitly stated otherwise, use of the term “city” shall include the Unincorporated County. For example, the Unincorporated County has an allocation as a city under the Base City Allocations of Rental Housing Development Program funding.

RENTAL HOUSING DEVELOPMENT FUND POLICIES

Measure A1 Specific Policies for Rental Housing Development Fund – Applies to Both Base City Allocations and Regional Pools

- I. **Income Levels**
- A. The majority of the housing units are expected to serve very low-income households with incomes between 30% and 60% of Area Median Income (AMI).
 - B. 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.
 - C. At least 20% of the units funded by this program will have an income cap and serve extremely low-income households at or below 20% of AMI.
 - D. The maximum amount of funding allowed to be spent on units at 80% of AMI is 5% of each funding Base City Allocation and each Regional Pool.
 - E. Each city must restrict at least 20% of the units financed by its base city allocation to 20% of AMI and at least 20% of the units financed by each regional pool must be restricted at 20% AMI. HCD’s goal will be to meet this requirement with each funding allocation round of the Regional Pools.
 - F. Any unit with a project-based voucher shall be counted towards meeting the 20% unit requirement, so long as the unit has a preference for households at 20% of AMI, even if the voucher specifies that it can serve households with incomes up to 50% of AMI.

Note: HCD will work to identify and coordinate with sources that can provide operating subsidies in coordination with capital funding provided by Measure A1. Measure A1 funds cannot pay for operating subsidies or services, capitalized operating reserves, services, or services reserves.

- II. **Project Selection Criteria:**
- A. Projects must remain affordable for a minimum of 55 years.
 - B. Proposed affordable developments must include a financial contribution from the city in which they are located. (See Match section below for more details.)



- C. Priorities for one or more of the following target populations, within the income limits described above:
1. Homeless people, including individuals and families, chronically homeless people with disabilities and other homeless populations
 2. Seniors
 3. Veterans
 4. People with disabilities, including physical and developmental disabilities and mental illness
 5. Re-entry
 6. Transition-age youth aging out of foster care
 7. Lower-income workforce
- D. Alameda County residents and workforce will be given priority for these housing units.
- E. Fair Housing: The Board of Supervisors has adopted findings which support the need and public purposes of supporting the creation of affordable housing for the target populations and resident and workforce housing. To the extent possible and permissible under law, staff will implement restrictions and priorities for populations listed above using, where possible, regulatory agreements, marketing and rent up policies, and points in competitive funding selection processes for projects that include the target populations and resident and workforce goals.
1. Alameda County HCD will track units dedicated to each of the target populations. Annually, the target populations of the projects funded and units produced will be reviewed and such review may impact priorities for future projects to ensure a spread of units serving these target populations.
 2. Projects funded from the Base City Allocations must include units targeting one or more of the above target populations.
 3. Applications for funding will require specificity regarding which target population(s) and income level(s) will be served.
 4. Projects funded under Measure A1 must report out on #'s of tenant applicants denied/accepted for tenancy with criminal convictions and basis of denials. HCD may expand this policy at a later date as needed to serve this target population.
 5. Sub-regional live/work goals: To prevent displacement and to encourage residential proximity to workplace, should a city wish to implement a sub-regional live/work preference policy for a portion of the units in the project, the city must meet certain criteria and be approved by the County. Criteria will include but not be limited to:
 - a) Completion of a study and making one or more findings which demonstrate city-level residential displacement is occurring and/or is at high risk of occurring and a need for a sub-regional live/work preference is needed to respond to or prevent displacement; and,

- b) Enter into an agreement obligating the city to defend and indemnify the County against any claims or litigation that may arise from such a restriction.
- F. Affirmative Fair Marketing Plans: HCD will require a Fair Marketing Plan for each project to ensure that the target populations, countywide and local resident and workforce populations are aware of the housing opportunities to the greatest extent possible and that the leasing of the project units will be conducted in such a manner as to provide fair and equal access under the law.
- 1. Affirmative Fair Marketing/Rent-up Plans will be reviewed and evaluated by HCD.
 - 2. All marketing efforts to include, at minimum, listing the unit openings with Eden I&R's 211 system, notifying parties on an HCD-established "Housing Opportunities" email list service, and broadly advertising to community and faith-based organizations, service providers, all members of the Board of Supervisors, and others that register to receive such information.
 - 3. The Marketing Plan must include notification to and active engagement with neighborhood-based organizations in the neighborhood in which the housing is or will be located.
 - 4. All marketing and outreach materials must be provided in the core languages as specified in each city's Language Access Plan.
- G. Points in competitive project selection processes may be awarded to incentivize specific target populations, additional units for the target populations, and/or specific income levels.
- H. Points in competitive project selection process will be awarded to incentivize partnerships with local and neighborhood nonprofit community and faith-based organizations that contribute assets to the proposed development.
- I. Points in competitive project selection process may be awarded to developers that have exceeded workforce goals in past projects and can demonstrate that achievement.
- J. To the greatest extent feasible, property owners and managers will use tenant screening tools that screen these vulnerable target populations into the projects rather than rejecting them for tenancy due to conditions associated with their target population status (such as homelessness, disability, re-entry, etc.). An example of a 'screen in' tenant screening tool is the Everyone Home tenant screening tool. Other examples or tools may be developed or authorized by the County. HCD will monitor and track the basis of rejections of applications for tenancy applications by target populations, such as homeless and/or criminal justice involved households.
- K. All Measure A1 Bond funded projects shall comply with California law prohibiting landlords from requiring any tenant to state, certify, or represent immigration status to a landlord, unless required by applicable Federal law.

- L. Should a unified core tenancy application or single wait list or point of entry be created for Bond-financed and/or other subsidized housing units in the county, all Bond funded units will utilize and participate in that application, list or entry point.
- M. Referrals to all Permanent Supportive Housing will be made through the homeless Coordinated Entry System.
- N. All projects must provide to residents and post in a public location in each building funded with Bond proceeds a Tenant Rights and Responsibilities document (to be developed by HCD based on the HUD Tenants Rights and Responsibilities document).
- O. All projects must meet the Alameda County Housing and Community Development Department Administrative Loan Terms and underwriting requirements, as modified by these adopted Measure A1 Implementation Policies. See Exhibit A for summary details or the HCD website for the full document.

III. **Eligible Types of Projects:**

This component of the Bond program will assist in the creation and preservation of affordable rental housing for vulnerable populations; including:

- A. New construction
- B. Acquisition/rehabilitation
- C. Acquisition only
- D. Rehabilitation of existing affordable housing with extended affordability.
- E. Projects must meet all Measure A1 Rental Housing Development Fund policies and requirements.
- F. While it is anticipated that most projects will be multi-family projects of 5 or more units, scattered site single-family homes, accessory dwelling units (ADUs), properties zoned as commercial or industrial which will be legally converted to residential, small houses, and shared housing may also be eligible, provided they are financially feasible, they meet all the Measure A1 Rental Housing Development Fund requirements, and they do not place an undue burden on the County to monitor for compliance.
- G. To prevent displacement while allowing Measure A1 funds to be used for acquisition of existing rental housing, for an Acquisition project to be eligible at least 85% of the existing tenant households must be income eligible under Measure A1 requirements. The existing “over-income” households (households whose incomes exceed Measure A1 limits) will be allowed to remain and the units will be eligible for Measure A1 financing, as needed for project feasibility. Rent for the over-income household will be set based on 30% of actual income or market rate, whichever is less. Upon unit turnover, the over-income unit must be filled by a Measure A1 income-qualified household. Alternatively, Measure A1 funds may be used to finance less than 100% of the units in a building, excluding all or some of the units occupied by existing over-income tenants. For example, in a 50 unit building in which 25 of the households have incomes at or below Measure A1 limits (50% of units), Measure A1 funds might only be used to subsidize the 25 units. Alternatively, Measure A1 could

- subsidize 35 units, with the requirement that upon turnover the 10 over-income units be rented to tenants who meet Measure A1 income limits.
- H. Should a project need to temporarily relocate residents (for example to allow units to be rehabilitated), the existing low-income residents shall have the first right of refusal to return to their previous or comparable unit at comparable or lower rents after the rehabilitation of the project is complete. Relocation benefits must be provided, utilizing State of California standards.
 - I. Measure A1 funds may not be used for development of units that are built to comply with local requirements such as density bonus, inclusionary zoning, or on site alternatives to payment of impact fees, unless the Measure A1 funding will result in units with a deeper level of affordability than otherwise required, with corresponding lower rents. These units are contemplated to be part of a larger market rate development and physically integrated into that development. Units that are built on land donated to satisfy local inclusionary requirements and are part of a stand-alone multi-family affordable project (such as a tax credit project or other project serving very low- and low-income households) would be eligible for Measure A1 funding as long as they met all other requirements of the A1 program.

IV. **Eligible Uses of the Funds**

Uses of funds will be flexible, within the parameters of eligibility for use of general obligation bond proceeds, which include costs associated with land acquisition and capital improvements, as defined by the Internal Revenue Service (IRS).

- A. Predevelopment period costs: Subject to securing a deed of trust and regulatory agreement, acquisition of real property and standard soft costs are eligible.
- B. Construction period costs: New construction and rehabilitation to preserve affordability are eligible
- C. Permanent Financing: Take-out of construction financing is eligible so long as the uses paid with construction financing meet the Measure A1 requirements.
- D. General obligation bond proceeds may not be used to fund services or operations costs, including capitalized operating or services reserves.
- E. Acquisition of land is an eligible use of bond proceeds, provided that a project is developed in a reasonable period of time. "Reasonable" is defined as having a financing plan in place within two years from acquisition and starting construction within three years from acquisition. An extension of one additional year for commencement of construction may be granted by the Housing Director, as long as the project is making significant progress towards construction start.
- F. For Acquisition/Rehabilitation or Rehabilitation only projects, after completion of rehabilitation the project must meet applicable codes of the jurisdiction in which it is located, as evidenced by signoff approval by the local code official.

- G. Long-term land banking will not be eligible for funding under the Rental Housing Development Fund program. Additional time may be granted to projects under section E above should a project not move ahead, and not be considered a “Land Banking” project.
- H. Temporary Relocation costs are an allowable project cost, as part of the normal costs of development, and may upon approval of the County (and County’s Bond Counsel), be an eligible cost for Measure A1 funding.

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

- A. Maximize leverage and produce the largest number of units possible.
- B. Select feasible projects that can compete well for State/Federal financing.
- C. Fund projects at a level to ensure viability for the life of the regulatory period.
- D. The Measure A1 Bond proceeds must fill a gap and not supplant other funding.
- E. Subject to the availability of funds in an applicable Base City Allocation or Regional Pool, the maximum amount of Measure A1 funds per project shall be based on the State of California HCD maximum loan subsidy limit in place at the time of application for each Measure A1 funded unit in the project or a percentage of the Total Project Costs (TPC), except as modified under items 3-4 below:
 - 1. For 9% Low Income Housing Tax Credit projects, a maximum of 30% of the TPC or the State 9% subsidy limit per unit size (See Exhibit B) as determined by the Housing Director based on financial feasibility and as approved by the Board of Supervisors;
 - 2. For 4% Low Income Housing Tax Credit projects, a maximum of 35% of the TPC or the State’s non 9% subsidy limit per unit size (See Exhibit B) as determined by the Housing Director based on financial feasibility and as approved by the Board of Supervisors;
 - 3. For small projects, defined as 20 units or less, or Special Needs projects (i.e. Extremely Low Income, Homeless, or Supportive Housing), an additional 10% increase in Bond fund subsidy may be allowed should the project demonstrate a financial need to be feasible and leveraged funds from other financing sources have been sought (i.e. from 30% of TPC to 40% of TPC or from 35% of TPC to 45% of TPC per unit restricted);
 - 4. Minor changes to these maximum amounts, associated with a small funding gap in a previously approved project, may be approved at the discretion of the Board of Supervisors.
- F. The maximum Measure A1 subsidy levels are a combined total of any Base City Allocation and any Regional Pool funds in a project.
- G. The maximum Measure A1 subsidy levels will be reviewed at least annually to determine if modifications are needed for Measure A1 funded projects to compete successfully for Low Income Housing Tax Credits or other competitive State or Federal funding.

VI. **Match Requirements**

- A. All projects funded by Measure A1 Bond proceeds must include match from the city in which the project is located.
- B. **Type:** Match must have a determinable financial value, including, but not limited to, any combination of such things as:
 - 1. Cash, including HOME, CDBG and other federal or State funds that flow through the jurisdiction and are funding sources on which the jurisdiction relies;
 - 2. The value of land which has been donated or the value of a reduction in cost of land from market value;
 - 3. Waived planning, building or impact fees;
 - 4. Cash or land donated by developer as a result of a negotiated deal with the city or due to a city policy;
 - 5. The additional loan amount leveraged by a local housing authority's commitment of project based vouchers (including, but not limited to, Section 8, Veterans Administration Supportive Housing, and Local programs).
- C. The following are not eligible sources of match:
 - 1. City staff or consultant time
 - 2. Use of Base City Allocation
- D. A city may make a "future commitment" of match funds not yet available (e.g., inclusionary housing fees or ongoing revenue generated by the city), so long as they are backed by a City commitment that will replace this "future commitment" should the identified original funding source not become available.
- E. Amount: The minimum amount of match must equal the city planning and building fees, not including impact fees, for the city in which the project is located. Additional amounts are encouraged.
- F. Base City vs. Regional Pools: The minimum amount of required match is the same for projects funded by the Base City Allocations and projects funded by a Regional Pool.
- G. The formal Match Commitment must occur in advance of construction loan closing, but the city will be allowed to administratively determine the amount of proposed match at the time of application in order for a project to qualify for Measure A1 funding.

VII. **Leverage Requirements**

- A. HCD seeks to leverage other sources of affordable housing financing including State, Federal and other local subsidy sources to the maximum extent possible.
- B. Additional points may be awarded in competitive project selection processes to incentivize leveraging of Measure A1 funds.

VIII. **Wage Levels and Employment Opportunities**

- A. If a project funded under Measure A1 is, independent of such funding, subject to federal or state prevailing wage requirements then those federal or state mandates will control. If a project funded under Measure A1 is not otherwise subject to federal or



state prevailing wage requirements, then it will be required to pay wage rates equivalent to California prevailing wage rates. The project will be required to report out and HCD will monitor compliance.

- B. Should the County establish or designate Job Training and Career Pathway programs, projects funded subsequent to establishment or designation of the program with Measure A1 Bond shall meet the requirements, as applicable.
- C. [For outline and discussion of possible additional policies related to Project Labor Agreements, Local Hire, and Local Business, see Exhibit C.]

IX. Single Core Tenancy Application/Posting Unit Openings

Goal: HCD desires to create a robust and easy to access method for low-income households seeking subsidized housing to locate and be informed of unit availability, as well as a universal core tenancy application system to streamline the application process for low-income households to apply for tenancy to these projects.

- A. Should HCD develop such a system, all projects funded by Measure A1 will be required to utilize the system.

X. Geographic Distribution of Funding

Policy Adopted June 28, 2016:

- A. Regional Pools - \$200,000,000 will be divided into four regional pools which can be used to finance projects located in these regions, as follows:

HALF OF FUNDS TO REGIONAL POOLS		
Regional Pools Allocations 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

North County Region: Albany, Berkeley, Emeryville, Oakland and Piedmont.

Mid County Region: Alameda, Hayward, San Leandro, and Unincorporated County.

South County Region: Fremont, Newark and Union City.

East County Region: Dublin, Livermore, and Pleasanton.

- B. Base City Allocation - \$225,000,000 will be divided by formula into base amounts for use in each city and the unincorporated county as follows:



HALF OF FUNDS TO BASE CITY ALLOCATIONS	
City Base Allocations by:	Total Population
City of Alameda	\$10,370,727
City of Albany	\$2,588,918
City of Berkeley	\$15,796,369
City of Dublin	\$8,831,465
City of Emeryville	\$2,799,109
City of Fremont	\$33,264,459
City of Hayward	\$20,298,294
City of Livermore	\$12,722,700
City of Newark	\$6,029,275
City of Oakland	\$54,803,565
City of Piedmont	\$2,431,300
City of Pleasanton	\$13,720,684
City of San Leandro	\$11,907,775
Unincorporated County	\$19,671,892
City of Union City	\$9,763,468
ALAMEDA COUNTY TOTAL	\$225,000,000

Measure A1 Specific Policies for Base City Allocations

(Note that for the purposes of these policies, unless explicitly stated otherwise, use of the term “city” shall include the Unincorporated County. For example, the Unincorporated County has an allocation as a city under the Base City Allocations of Rental Housing Development Program funding)

XI. Procurement Process

- A. Cities will follow their own procurement processes to preliminarily select projects to be funded and to propose the amount of Base City Allocation to be awarded to each project, subject to the Measure A1 maximum subsidy limits.
- B. Cities must submit an application for each selected project to HCD. HCD will review the application for compliance with Measure A1 bond program requirements and HCD’s Rental Housing Development Policies and underwriting requirements.
- C. HCD will accept applications in an over-the-counter process, with specific deadlines established for proposed projects to be included in bond issuances as needed.
- D. Alternatively, a city may request that HCD administer the project selection process for all or a portion of the city’s Base City Allocation, in which case HCD will run the city’s selection process concurrently with the regional pool competitive RFP process,

with the city approval of the Measure A1 eligible project(s) to be funded from its Base City Allocation.

- E. Initially, 10% of the Base City Allocations shall be reserved to cover the County's bond issuance and program delivery/administration costs. This percentage may be adjusted and any amounts not needed or projected to be needed for this purpose shall be released back into Base City Allocations.

XII. Types of Projects

- A. In addition to the types of projects listed above, cities may use a portion of their Base City Allocations to finance the development of interim, crisis, or transitional housing for homeless households, provided the city has identified funding for operations and services.
- B. If a city uses a portion of its Base City Allocation for crisis, interim, or transitional housing, the city must identify funding sources for associated operations and services prior to HCD approval of use of Measure A1 funds.
- C. The "portion" of the Base City Allocation that may be used for crisis, interim, or transitional housing is defined as up to 10% for cities with Base City Allocations over \$15 million, up to 15% for cities with Base City Allocations under \$15 million and over \$10 million, and up to 20% for cities with Base City Allocations under \$10 million.
- D. A city may use a portion of its Base City Allocation to finance a regional-serving project located in another jurisdiction.

XIII. Loan Administration

- A. HCD will administer the Measure A1 funding, including negotiating deal terms and executing County loan documents.
- B. HCD will collect sufficient information to ensure that the projects meet Measure A1 policies and requirements.

XIV. Commitment Deadline

- A. Cities will have up to 4 years (until December 31, 2021) to commit funds to specific projects, with the possibility of a reasonable extension of this period should a feasible project be identified.
- B. "Commitment" is defined as a City Council action to allocate funds to a project.
- C. Funds not committed by the city within the deadline will be moved into the Regional Pool in which the city is located on January 1, 2022, unless an extension has been granted by the Housing Director, in which case the funds will be moved into the Regional Pool on the first day following the extension period.
- D. Cities will have up to three years from commitment of funds to start construction on the project and up to five years to expend the funds.

Measure A1 Specific Policies for Regional Pools

XV. Procurement

- A. Developments financed with bond funds must have the support and approval of the cities in which they are located, including financial support [as defined under the Match section of these policies].
- B. HCD will use a competitive Request for Proposals (RFP) process to select projects.
- C. It is a goal to use the Regional Pool funds to finance projects in various locations disbursed around each region, not only in one jurisdiction. In the competitive process, regional geographic spread will be considered.
- D. Initially, 10% of each Regional Pool shall be reserved to cover the County's bond issuance and program delivery/administration costs. This percentage may be adjusted and any amounts not needed or projected to be needed for this purpose shall be released back into the Regional Pools.

XVI. Commitment Deadline

- A. HCD will use its best efforts to commit all funds in each Regional Pool within 6 years (by December 31, 2023).
- B. Once funds are committed, a project will have up to 3 years to start construction, and up to five years to expend funds.
- C. Should a Regional Pool not have eligible, feasible projects requesting funding, after December 31, 2023, the funds in such a Regional Pool may be moved to one or more other Regional Pools which have eligible, feasible projects requesting funds that exceed the Pools' available balance.
- D. If uncommitted funds remain in any Regional Pool after January 1, 2024 those funds will be made available county-wide through a competitive RFP process.

RENTAL HOUSING INNOVATION AND OPPORTUNITY FUND POLICIES

I. Use of Funds:

- A. The goal of this component of the Measure A1 Bond program is to support the ability of affordable housing developers to respond quickly to opportunities that arise in the market (i.e. properties that are for sale), to preserve and expand affordable rental housing and prevent displacement of current low-income Households.
- B. Eligible properties can include vacant land, existing apartment buildings and motels, or other buildings to be converted into eligible housing. It is not intended to pay off mortgages of owned properties.
- C. All funds under this program shall be fully amortizing or fully repaid. This is not an equity program.
- D. HCD shall create the Acquisition and Opportunity Fund to provide loans for the acquisition of property for the development of long-term affordable rental housing:
 1. Eligible properties for acquisition can include commercial or industrial properties so long as the intent is to convert them to residential use and there is a reasonable expectation of the ability to do so;
 2. Acquisition of land or buildings and related project soft costs are eligible uses of funds;
 3. Land trusts, which may result in rental or ownership affordable housing, are eligible projects under this category;
 4. Funds will be provided in the form of short-term loans, with an initial maximum loan term of three years;
 5. Repayments to this fund will be used to provide financing for additional projects over time; and
 6. HCD may administer this program internally or propose the use of a contracted Program Administrator to implement the program, with approval by the Board of Supervisors.
 7. Funds are not intended to pay off mortgages owned property.
- E. In addition to the Acquisition and Opportunity Fund described above, HCD will develop an Innovation Fund to support innovations in addressing the need for affordable rental housing for the household income levels and target populations of the Measure A1 Rental Housing Development Fund and will bring a program description and implementing policies to the Board of Supervisors for review and consideration.

II. Criteria:

The housing developed under the Innovation and Opportunity Fund must meet the requirements of the Rental Housing Development Fund.

III. **Geographic Distribution:**

The Acquisition and Opportunity Fund is available countywide for eligible projects.

IV. **Procurement:**

- A. HCD will issue a Request for Qualifications (RFQ) to establish a pool of pre-qualified Tier 1 Developers, or partnerships which include a Tier 1 Developer, which will then be able to apply over-the-counter for loans from the Innovation and Opportunity Fund.
- B. Requirements for developers: To be considered for the Acquisition and Opportunity Fund, developers must meet HCD's Tier One Developer requirements.
- C. Should the County select a Program Administrator to administer the Acquisition and Opportunity Fund, HCD will work with the Program Administrator to conduct the selection process for pre-qualified developers.

V. **Leveraging**

Encourage developers to leverage funds to the greatest degree possible.

VI. **Maximum or Minimum Loan Amounts:**

HCD will work with community-based lenders to establish minimum and maximum Measure A1 loan amounts, in order to combine Measure A1 funds in this program component with other, leveraged funds to the maximum extent possible.

VII. **Loan Terms:**

- A. These funds will be provided in the form of short-term loans. It is expected that the initial loan term will be a maximum of three years; however this term may be modified if necessary to leverage other financing. It is expected that the maximum term will not exceed five years.
- B. The loans must be documented with a full set of loan documents, including a recorded deed of trust, regulatory agreement, signed promissory note and loan agreement.
- C. Regular reporting on the projects progress will be required.

VIII. **Match Requirements:**

- A. Formal Commitment of City matching funds is not required at this stage of development as a prerequisite for award of Acquisition and Opportunity Fund loans.
- B. City support and approval of the project is required at the time of the loan.

G:\HCD\Programs - Other\G.O. Bonds\Implementation Plan\Rental Policy Development\Rental Policies 7.17.17 Version\10.2.17 version\final materials\Item 3 Exhibit B - Rental Development Policies 10.2.17.docx



Exhibit 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 and Housing Development Policies and Procedures used to implement its Affordable Housing Development Program. These policies are updated periodically, as changes occur in the affordable housing finance field, including programmatic changes at the State (CalHFA, California State Housing and Community Development, California Tax Credit Allocation Committee and California Debt Limit Allocation Committee) and Federal (Housing and Urban Development) levels.

The below is a very high level overview of HCD policies and do not represent all requirements of HCD funding. For additional details, see HCD's Affordable Housing Development Policies and Procedures, an annual Request for Proposals document, and HCD's Loan Documents, available on HCD's website. For the Measure A1 Bond program, also see specific Measure A1 policies and requirements, available on HCD's website.

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. In addition, borrowers must sign a Promissory Note and Loan Agreement documenting the County's investment. HCD's existing affordable housing development program policies as of the date of the contract will govern loan terms and HCD-imposed requirements.

1. Contract for funding, approved by the Board of Supervisors
2. Loan Agreement
3. Regulatory Agreement
4. Promissory Note
5. Deed of Trust
6. Subordination Agreement(s) (as applicable)

B. Term

In general, a 59-year loan term and regulatory period is required for affordable housing projects funded by HCD. This term has, on occasion, been reduced with the Housing Director's approval to 55 years in tax credit projects, when borrower's counsel justifies the reduction due to tax credit requirements. The term begins as of the date of initial occupancy, which can be set by either the Certificate of Occupancy or by the first occupancy of the building as reported in the closeout report.

C. Interest Rate

3% simple interest, owed as of the date of disbursement unless the Promissory Note indicates otherwise.



D. Payments

1. HCD loan may be amortized over a 59-year period, with equal payments throughout the term (amortized loan); or
2. In special needs projects that serve Extremely Low Income Households, payments may be deferred, at the Housing Director’s discretion in order to make the project financially feasible; or
3. HCD loan may be repaid through a proportionate share of residual receipts. HCD may allow the General Partner of the borrower partnership to retain up to 50% of the residual receipts as an "Incentive Management Fee", but may restrict this to only 25% if there are soft lenders in addition to HCD sharing repayment from residual receipts. Should the Partnership Agreement not allow the GP to keep the full amount of the Incentive Management Fee, HCD will require that the amount of the soft lender share of residual receipts be increased to capture those funds.

E. Security

Deed of trust recorded against fee title or leasehold interest.

F. Regulatory 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 must be on the fee title. HCD’s Regulatory Agreement includes a prohibition against discrimination based on the source of a tenant's income and requires acceptance of rental assistance programs like Shelter Plus Care and Section 8 Vouchers.

G. Income Restrictions

See the Measure A1 Specific Policies for Income Restrictions.

H. Rent Increases

Rent increases are subject to the requirements of the funding source(s) invested in the project. Rent may be increased by not more than 5% annually (unless approved in writing by the Housing Director in advance of the increase based on feasibility of the project). HCD will consider allowing rents to “Float Up” if a project based voucher contract is not renewed.

I. 4% MFMR Bond Projects

In any project funded by Alameda County Housing and Community Development, HCD will be the issuer of the Bonds, subject to the Housing Director.

J. Replacement Reserve

0.6% of the replacement cost of the structure annually, up to \$600 per unit for family developments and \$500 per unit for senior developments. These amounts may change annually as part of the RFP process to reflect updates or changes to State HCD program requirements.



K. Operating Reserve

Three months of operating expenses must be capitalized at conversion. Developers must make payments in schedule approved by the County until the reserve reaches 6 months of operating expenses. A larger deposit is encouraged.

L. Developer Fees

For 9% Tax Credit projects, the maximum allowed by TCAC which will generally be equal to \$2.2 Million. In 4% Tax Credit Projects, the maximum amount the Developer may take out of the Development Costs is equivalent to a 9% deal, however additional fee to increase basis is allowable if matched general partner capital contribution or taken out of the Borrower's share of cash flow over the tax credit compliance period. For non Tax Credit projects, the maximum developer fee is 10% of TPC, subject to the Housing Director's approval.

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. This amount can be adjusted for smaller projects, at the Housing Director's discretion.

N. Asset/Partnership Management Fees

Combined \$25,000 limit with no escalator; unpaid fees do not accrue; any fees above this amount or escalators must come from borrower's 50% Incentive Management Fee. State HCD is currently proposing new limits, but has not yet adopted them. The Housing Director may revise this policy to be in conformance with any new State policies on this issue.

O. Loan Fees

HCD may charge a loan closing fee.

P. Monitoring Fees

HCD will charge a monitoring fee for each HCD-restricted unit. The current fee is \$300 per restricted unit per year.

Q. Insurance Minimums

1. Workers Compensation: to the extent required by law, including Employer's Liability coverage, at least \$1,000,000 each accident
2. Commercial General Liability: \$2,000,000 per occurrence
3. Commercial Automobile Liability: \$1,000,000 per occurrence
4. Builder's Risk/Property: 100% of property replacement value
5. Commercial Crime: covering all officers and employees, for loss of HCD loan proceeds caused by dishonesty
6. Borrower must ensure that any general contractor or subcontractors maintain the insurance in #1-3 in the amount of \$1,000,000 each.

7. 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.

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 through large affordable housing developments must be kept for the length of time the property is owned plus 6 years.

S. Reports

1. Quarterly progress reports required during construction and with any invoice;
2. Quarterly reports required during the first year of operations, starting from certificate of occupancy;
3. Annual Reports required (within 180 days of the end of the fiscal year) after the first year and for the term of the loan.

T. Change Orders

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

U. Subcontracts

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

V. Construction Contingency

1. *New Construction*: 10% required at initial application, but can drop down to 5% remaining after construction bids are known.
2. *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 includes having staff on board and assigned to the project who have worked on similar projects and whose resume's 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 must include a Tier One developer and its capacity to oversee the asset management of the building over the course of the regulatory agreement.

Z. HCD's Costs

Borrower (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 and in connection with changes at the State and Federal level to standard affordable housing finance policy, and subsequently 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.

Exhibit B – Maximum Loan Limits for Measure A1 Bond Funds

Proposed Measure A1 Maximum Loan Limits – Projects without 9% Tax Credits State HCD Loan Limits for Alameda County 2016**

Alameda County	Efficiency	1 BR	2 BR	3 BR	4+ BR
Income Limit					
80% AMI	\$110,000	\$110,000	\$110,000	\$110,000	\$110,000
60% AMI	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
55% AMI	\$137,244	\$138,252	\$140,845	\$143,294	\$145,311
50% AMI	\$149,632	\$151,361	\$156,690	\$161,588	\$165,765
45% AMI	\$161,876	\$164,613	\$172,536	\$179,882	\$186,076
40% AMI	\$174,120	\$177,721	\$188,237	\$198,032	\$206,387
35% AMI	\$186,508	\$190,830	\$204,082	\$216,326	\$226,841
30% AMI	\$198,752	\$204,082	\$219,927	\$234,620	\$247,152
25% AMI	\$211,140	\$217,190	\$235,772	\$252,914	\$267,607
20% AMI	\$223,384	\$230,443	\$251,474	\$271,064	\$287,918
15% AMI	\$235,628	\$243,551	\$267,319	\$289,358	\$308,228

*80% AMI has been calculated by HCD

**Note: Maximum loan limits are adjusted annually.

Proposed Measure A1 Maximum Loan Limits – Projects with 9% Tax Credits State HCD Loan Limits for Alameda County 2016**

Alameda County	Efficiency	1 BR	2 BR	3 BR	4+ BR
Income Limit					
80% AMI	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
60% AMI	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
55% AMI	\$57,244	\$58,252	\$60,845	\$63,294	\$65,311
50% AMI	\$69,632	\$71,361	\$76,690	\$81,588	\$85,765
45% AMI	\$81,876	\$84,613	\$92,536	\$99,882	\$106,076
40% AMI	\$94,120	\$97,721	\$108,237	\$118,032	\$126,387
35% AMI	\$106,508	\$110,830	\$124,082	\$136,326	\$146,841
30% AMI	\$118,752	\$124,082	\$139,927	\$154,620	\$167,152
25% AMI	\$131,140	\$137,190	\$155,772	\$172,914	\$187,607
20% AMI	\$143,384	\$150,443	\$171,474	\$191,064	\$207,918
15% AMI	\$155,628	\$163,551	\$187,319	\$209,358	\$228,228

*80% AMI has been calculated by HCD

**Note: Maximum loan limits are adjusted annually.

Exhibit B

DRAFT

RESOLUTION NO. 2017-_____

A RESOLUTION APPROVING GENERAL OBLIGATION HOUSING BOND (MEASURE A1) IMPLEMENTATION POLICIES FOR THE RENTAL HOUSING DEVELOPMENT FUND, INNOVATION AND OPPORTUNITY FUND, AND HOMEOWNERSHIP DEVELOPMENT FUND

WHEREAS, on June 28, 2016, the County of Alameda Board of Supervisors ("Board") adopted a resolution and order (Resolution and Order No. R.-2016-196) recognizing that housing in Alameda County has become increasingly scarce and expensive to the point that it is now out of reach for many low- and middle-income residents, including, but not limited to, the elderly, the homeless, persons with disabilities, and other vulnerable populations; and

WHEREAS, the same June 28, 2016 resolution called for a general obligation bond election ("Measure A1"); and

WHEREAS, also on June 28, 2016, the Board approved a summary outlining basic parameters of programs to be funded with such bonds (the "Affordable Housing Program"); and

WHEREAS, on November 8, 2016, the voters in the County of Alameda approved Measure A1, which provides for the issuance of up to \$580 million in bonds for affordable housing programs within the County; and

WHEREAS, specifically, Measure A1 provides that its proceeds will be used for the acquisition or improvement of real property, a portion of which shall be used to provide up to 8,500 units of affordable local rental housing to prevent displacement of vulnerable populations, including low and middle-income individuals and families, working households, veterans, seniors, and persons with disabilities; a portion of which shall be used to provide supportive housing for homeless people; and a portion of which shall be used to help low and middle-income households purchase homes and stay in their communities; and

WHEREAS, consistent with the intent of the ballot measure, the Affordable Housing Program identified a priority in rental housing developments for the homeless, seniors, veterans, people with disabilities, formerly incarcerated persons re-entering the rental market, transition age youth aging out of foster care, lower income workforce, and residents of Alameda County and a priority in homeownership developments for residents displaced from Alameda County and the Alameda County Workforce (collectively, the "Priority Populations"); and

WHEREAS, County staff has developed Implementation Policies for the Affordable Housing Program including: (1) Measure A1 Implementation Policies – Rental Housing Development and Innovation Fund (the "Rental Implementation Policies") and (2) Measure A1 Implementation Policies – Homeownership Housing Development Funds (the "Homeownership Implementation Policies", collectively with the Rental Implementation Policies, the "Policies"); and

WHEREAS, a copy of the Policies are on file with the Clerk of the Board; and

WHEREAS, the Board desires to adopt the Policies and make certain findings with respect to the Priority Populations; and

WHEREAS, as evidenced by the 2014 Board of Supervisor adopted Consolidated Plan for the HOME Consortium, in 2014 there were over 111,820 low income households in the County, with approximately 49,000 of those households with a rent burden in excess of 30% of the household's income and nearly 3,000 experiencing over-crowding; and

WHEREAS, low and moderate income households throughout the County have been experiencing and are at risk of displacement due to continuing increases in rents and housing prices and predatory or problematic homeownership lending practices; and

WHEREAS, having workers reside near their workplaces helps to reduce traffic, increase air quality and improve quality of life through reduced commute times; and

WHEREAS, providing affordable housing for residents and workers in the County will help to achieve the important governmental purposes of promoting community and resident stabilization and a healthy environment, by providing an opportunity to residents living in inadequate housing conditions to move into quality affordable housing units without leaving the community, preserving residents' ties to community institutions, encouraging households working in the County to live near their workplaces, thereby avoiding the negative air quality and traffic impacts of commuters traveling long distances, encouraging businesses to locate in the County to take advantage of the affordable housing opportunities available to their workers, and mitigating the effects of displacement and the loss of housing; and

WHEREAS, in 2015, California had 115,738 homeless people, which accounted for 21% of the nation's homeless population and California also had the highest rate of unsheltered people, at 64% or 73,699 people; the largest numbers of unaccompanied homeless children and youth, at 10,416 people or 28% of the national total; the largest number of veterans experiencing homelessness, at 11,311 or 24% of the national homeless veteran population; and the second largest number of people in families with chronic patterns of homelessness, at 22,582 or 11% of the state's homeless family population; and

WHEREAS, thousands of people experience homelessness in the County each year and the current housing crisis has not only caused displacement of long term County residents to other communities but many of the County's most vulnerable, low income residents have been driven into homelessness, often unsheltered; and

WHEREAS, providing affordable housing to homeless individuals and families will achieve an important government purpose by helping to move individuals and families from the streets or temporary locations to decent safe and sanitary housing, assisting individuals who are the most in need, and reducing community costs associated with homelessness such as emergency health care, criminal justice, and emergency shelters; and

WHEREAS, the population is aging and many older adults, often with limited incomes and who are more likely to be low income, are and will continue to be in need of affordable housing within the County and, as evidenced by the 2014 Board adopted Consolidated Plan for the Home Consortium, many of these seniors experience a rent burden in excess of 30% of their income; and

WHEREAS, providing affordable housing to seniors will achieve an important governmental purpose by assisting individuals in need, engendering respect for human dignity and allowing for multi-generational communities within the County; and

WHEREAS, veterans of every era and their families should have access to resources earned and deserved for selfless and honorable military service; and

WHEREAS, a significant portion of the homeless population is veterans and a significant portion of veterans have mental and physical health issues; and

WHEREAS, providing affordable housing to veterans will achieve an important governmental purpose by assisting in the fight against homelessness, providing stability to allow veterans the opportunity to address and manage health issues, and assisting in reintegrating veterans and their families into the County community; and

WHEREAS, people with disabilities often face challenges in accessing and obtaining affordable housing opportunities and providing affordable housing to persons with disabilities provides equal opportunity in housing, promotes independence and community integration; and

WHEREAS, within the County, 22% of people with disabilities live at or below 100% of the federal poverty level compared to 11.5% of those without disabilities, and 42% of people with disabilities live below 200% of the federal poverty compared to about one-fourth of people without a disability; and

WHEREAS, providing affordable housing to people with disabilities will achieve an important governmental purpose by helping to fight against homelessness and poverty and promoting community independence and integration for people with disabilities; and

WHEREAS, from October 2011 to October 2013, 1,294 individuals released from state prison to the County were in need of a wide range of services, including housing; and

WHEREAS, formerly incarcerated persons entering the housing market are three to four times more challenged than the general population in their ability to obtain permanent housing upon release and, without necessary services, the issues facing those released from prison or county jail leads over half of such released prisoners to return to custody within three years of their release; and

WHEREAS, providing housing to formerly incarcerated persons will help to achieve the important governmental purposes of reducing recidivism and burdens on the criminal justice system; and

WHEREAS, lack of affordable and available housing is the primary barrier to transition aged youth who are homeless or at risk of homelessness in completing an education, securing and maintaining employment, accessing health care, and making a successful transition to adulthood; and

WHEREAS, there are approximately 2,500 youth currently in County child welfare supervised foster care and the California Department of Social Services estimates that 65% of the 219 youth who exit foster care every year need housing assistance; and

WHEREAS, the number of homeless youth and young adults in Alameda County is close to one thousand individuals in the course of a year; and

WHEREAS, affordable housing will help to achieve the important governmental purpose of meeting transition aged-youths' immediate survival needs and addressing their long-term need to find a suitable home promotes human decency, education and community health for such youth; and

NOW THEREFORE BE IT RESOLVED that the Board of Supervisors hereby adopts the Policies and directs staff to use Measure A1 funds consistent with the ballot measure and within the framework of the Affordable Housing Program and the Policies.

BE IT FURTHER RESOLVED that in adopting this resolution, the Board of Supervisors adopts, and incorporates as if restated herein, the above recitals as findings and further finds that important governmental purposes will be achieved in providing priorities in housing for the above described populations.

BE IT FURTHER RESOLVED that the Board directs staff to implement the Affordable Housing Program and Policies.

BE IT FURTHER RESOLVED that the Board directs staff to identify and implement strategies under the Affordable Housing Program to serve the Priority Populations in a reasonable and flexible manner in consultation with stakeholders in the community and subject to the review and approval by County Counsel for consistency with applicable laws.

THE FOREGOING was **PASSED** and **ADOPTED** by a majority vote of the Alameda County Board of Supervisors this _____ day of October, 2017, to wit:

AYES:

NOES:

EXCUSED:

PRESIDENT, BOARD OF SUPERVISORS

APPROVED AS TO FORM:
DONNA R. ZIEGLER, COUNTY COUNSEL

By: _____
Andrea L. Weddle
Chief Assistant County Counsel

File: _____

Agenda No: _____

Document No: **R-2017-**_____



I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Supervisors, Alameda County, State of California

ATTEST:
Clerk, Board of Supervisors

By: _____
Deputy

EXHIBIT C

Measure A1 Implementation Policies Rental Housing Development Fund

Outstanding Policy Area – Workforce and Business Contracting

When the Board adopted the Program Summary for Measure A1, it included that Measure A1, it included that Measure A1-financed rental development projects must meet all applicable County workforce requirements. Subsequently, in July of 2016, the Board adopted a wage requirement equivalent to state prevailing wages.

After research and review, it is HCD's understanding that there are no current County workforce programs which would be considered applicable to Measure A1. Specifically staff reviewed:

SLEB: The Small, Local and Emerging Business program (SLEB) is a compliance program operated by the Alameda County General Services Agency that requires contractors bidding on goods, services and professional services contracts with any department of Alameda County, and valued at over \$25,000, to be a certified small, local or emerging business (SLEB), or to subcontract 20% of their contract dollars to a certified SLEB. The SLEB program applies to goods, services and professional services contracts, and not construction projects. In addition, the Board action that adopted the SLEB program includes an exemption for non-profit organizations. As Measure A1 is not a goods and professional services program, it appears that this program does not apply to Measure A1 funded projects.

EOCP: The Enhanced Construction Outreach Program (ECOP) is a compliance program operated by the County's General Services Agency (GSA) that requires contractors bidding on capital construction projects contracts with GSA of over \$125,000 to: (1) conduct outreach to local, small local, minority-owned, and woman-owned businesses for subcontracted work on the contract; and (2) make good faith efforts throughout the contract period towards meeting set numeric goals for the proportion of total subcontracting dollars paid to these types of businesses (60% of contract dollars to local businesses, 20% small local, 15% minority-owned, 5% woman-owned). The program also awards preference points to small local businesses during the bidding process. As Measure A1 is not a GSA program, it appears that this program does not apply to Measure A1 funded projects.

CCP: The Construction Compliance Program (CCP) is a compliance program of the County's Public Works Agency (PWA) that requires all contractors bidding on capital construction contracts with PWA of over \$100,000 to provide evidence that they will subcontract 15% of contract dollars to minority-owned businesses and 5% Of contract dollars to woman-owned businesses or provide evidence of good faith efforts towards these goals. Progress on these goals is also tracked throughout the contract period. As Measure A1 is not a Public Works Agency Program, it appears that this program does not apply to Measure A1 funded projects.

PSCBA: The **Project Stabilization /Community Benefits Agreement (PS/CBA)** is a project labor agreement between the Building and Construction Trades Council of Alameda County (BTC) and the County that applies to County-funded construction contracts of over \$1 million under which the County has primary oversight of project development and completion. The PSCBA requires recruitment and hiring procedures that prioritize union workers and contractors, and includes a 40% local hire goal. County Counsel is analyzing the PS/CBA to opine on whether it applies to Measure A1 as it is currently written.

The chart below summarizes the requirements of the County’s current programs identified above.

Program/Goal	County SLEB	County ECOP	County COPP	County PSCBA
Local Hire	0%	0%	0%	40%
Disadvantaged / Low Income Worker	0%	0%	0%	<1%
Local Business	0%	60%	0%	0%
Small Local Business	20%	20%	20%	0%
Minority Owned Business	0%	15%	15%	0%
Women Owned Business	0%	5%	5%	0%

The types of workforce policies HCD staff have researched include:

Local Hire: A minimum goal or requirement for the percentage of total hours worked or total workers hired on a project who live or work in the local jurisdiction setting the policy.

Targeted Hire: Similar to above, a minimum goal or requirement to hire a targeted population, such as low income residents or disadvantaged workers, as defined by the jurisdiction setting the policy. Targeted hire populations are a smaller subset of local hire populations.

Local Contracting: A minimum goal or requirement for the percentage of contract dollars on a project to be paid to businesses that have offices in the jurisdiction setting the policy.

Targeted Contracting: A minimum goal or requirement for the percentage of contract dollars on a project to be paid to businesses that qualify as the types of targeted businesses defined by the jurisdiction setting the policy. Examples include: small local businesses, minority-owned businesses, woman-owned businesses, etc.

Project Labor Agreements: Project Labor Agreements (PLAs) are contracts between labor unions and a local jurisdiction or agency, or between labor unions and a developer, or between all three entities, that outline a number of requirements that prioritize the hiring of union labor and contracting with signatory union contractors on a project or collection of projects in the jurisdiction.

The different types of possible policies vary, and in some cases are not in alignment. For instance, the County has a goal of utilizing small and local business, as is evident in SLEB, ECOP and CCP programs. However the PSCBA does not address local contracting, nor does it address the targeting of small businesses. Conversely, the PSCBA addresses the goal of hiring local workers, but SLEB, ECOP and CCP do not address this goal.

In addition to any County requirements, affordable housing developments must also meet the requirements of other funders, including applicable local hire and local business requirements of local cities. Four cities in Alameda County have requirements, listed below, that impact affordable housing development:

Labor Goals/Requirements in Cities in Alameda County **	Oakland	San Leandro	Berkeley	Hayward	Alameda County HCD/ Federal Funding
Local Worker Hire	50%	0%	Good Faith Effort for First Source Local Hire	0%	0%
<i>Disadvantaged / Low Income Worker Hire</i>	0%	0%	0%	0%	10-30%
Local Business	50%	25%	0%	20%*	0%
<i>Small Local Business</i>	25%	0%	0%	0%	10%
<i>Minority-Owned Business</i>	0%	0%	0%	0%	0%
<i>Woman-Owned Business</i>	0%	0%	0%	0%	0%
Goal vs. Requirement	Requirement	Goal	Goal	Goal	Goal

* Note that this goal is not part of a City-wide policy, but has been negotiated only on certain projects in Hayward. ** Local = residents who live/work in the named City, and businesses that have offices in the named City.

Depending on which city the project is located in, there are more or less restrictive requirements than what HCD is required to implement for its federally funded Section 3 programs (also summarized in the chart above). As the chart shows, the different types and levels of requirements vary significantly.

Current Performance on Workforce Goals by Affordable Housing Developments in Alameda County:

In order to examine the performance of affordable housing projects in relation to these types of workforce goals, HCD conducted a survey of six affordable housing developers with projects in

Alameda County. In addition, HCD received data from the Nonprofit Housing Association of Northern California (NPH) from a survey it conducted regarding use of union labor in affordable:

- According to a study by NPH of 13 affordable housing projects in Alameda County: 86% of total construction contracting dollars went to signatory union businesses.
- According to HCD's research between 80%-100% of projects in Alameda County pay State prevailing wages or equivalent federal Davis-Bacon wages.
- According to HCD's research of local hire and local contracting outcomes on six affordable housing projects recently completed in Alameda County:
 - Two projects together averaged 38.5% total hours worked by Alameda County residents, with one project at 28% and the other at 49%.
 - Five projects together averaged 48% of total construction contracting dollars to Alameda County-based businesses, ranging from 25% to 69%.

Without additional requirements, nonprofit housing developers are already achieving significant goals related to hiring local residents and contracting with local businesses.

Additional Workforce Policy Recommendations

In the set of policies that were provided to the Health Committee for review and discussion on October 2, 2017, HCD indicated that there were additional areas that needed to be addressed. These included: Policies related to local hiring goals or requirements, and any special targeting under local hire (i.e. low income or disadvantaged worker requirements); Local contracting, and any targeting under local contracting (i.e. small business, minority or women owned businesses); Project Labor Agreements or other goals related to union contracting or workforce; and Good Faith Effort vs. Strict Requirements. HCD proposes the following potential policies in these areas for discussion and comment:

1. Local Hire Goals: Set a goal of 20% for local hire and that a sub-set of that goal be that 10% of all local hires be low-income workers (disadvantaged workers) or be members of the target populations identified for housing in the Measure A1 program.
2. Local Contracting Goals: Set a goal of 20% for hiring of local contractors, and that a subset of that goal be that 20% of all local contractors be small or emerging businesses.
3. Minority-owned and Women-owned Business Enterprises (MB/WBE): HCD proposes to track and report on the hiring of Minority-Owned Businesses (MBE) and Women-Owned Businesses (WBE).
4. Project Labor Agreement (PLA): HCD proposes that Measure A1 projects which meet specified criteria would enter into private PLAs between the developers and the unions. The

Building Trades Council, NPH and East Bay Housing Organizations (EBHO) have been engaged in negotiations regarding the terms of private PLAs. HCD would like to build off of agreements reached through those efforts and would bring policies on this issue to the Board at or prior to the request for adoption of the implementation policies for this program.

5. Good Faith Effort: Given the successful track record of affordable housing developers in achieving local hiring and local contracting, and the negative impact on the development of affordable housing that requirements in these areas that are too high or too strict can have, HCD proposes that policies in these areas require Good Faith Efforts and tracking reporting outcomes on a project by project basis. If this system proves unsuccessful at achieving County goals in these areas, stricter policies would be brought to your Board for consideration. Additionally, HCD proposes providing additional points in competitive project selection processes for those developers that have a history of meeting the local hire and local contracting goals.

