

Version 3/19/18
NPH Working Group 3/22/18
Version 3/23/18 Committee Reconciled
Version 3/24/18 mvanvliet
Version 3/25/18 JR reconciled
Version 3/26/18 jtibbetts
Version 4/2/2018 jtibbetts
Version 4/2/2018 hopkins
Version 5 4/6/18 HRBC

Housing Recovery Bond

Community stakeholders and leaders concerned about the severe shortage of affordable workforce housing have been discussing placing a Housing Recovery Bond on the November 2018 ballot. Their work follows on the examples of four other bay area counties that passed housing bonds or other housing measures in 2015 and 2016 and incorporates several priorities and criteria gleaned from a stakeholder meeting held February 16, 2018.

Draft Resolution and Statement of Principles

Whereas, Sonoma County lost 5,300 homes in the 2017 wildfires; and

Whereas, Sonoma County was already experiencing a severe shortage of homes for households of all income levels before the fires; and

Whereas, a February 2018 economic study determined that the County needs an additional 26,000 housing units by 2020 to keep pace with anticipated employment growth and to address the pre- and post-fire housing needs, and further, a 2017 study of affordable housing gaps concluded that Sonoma County needs 17,000 more homes specifically for low-income households; and

Whereas, the existing General Plans and Specific Plans adopted by Sonoma County and the incorporated cities call for concentrating new housing development in designated infill areas and near transit, and for achieving housing density in town centers while protecting community separators, agriculture, and open space; and

Whereas, the County Board of Supervisors, the City Council of Santa Rosa, and other jurisdictions and officials throughout Sonoma County have adopted policies prioritizing housing development for households of all income levels as necessary to the health of its residents, to the economic vitality of the region, and for the mitigation of climate change, and have enacted policy changes designed to spur greater development; and

Whereas, it is expected that market-rate rental and ownership housing opportunities can be developed without public subsidy provided they can be assured of regulatory certainty; and

Whereas, the shortage of affordable housing for low-income working families, seniors on fixed incomes, and people living with disabilities has been proven to lead to negative health, environmental, economic and educational outcomes; and

Whereas, agriculture and other employers are having difficulty hiring due to a severe shortage of affordable workforce and farmworker housing throughout the county; and

Whereas, accessing federal, state, and private competitive resources to build new affordable housing requires the leveraging of significant local funds, but neither Sonoma County nor the incorporated cities currently have a sustainable local source for such leverage, placing our communities at a severe economic disadvantage;

Now therefore, be it resolved, the Sonoma County Board of Supervisors and the Cities of ____, submit this measure to the voters of Sonoma County, requesting support by way of a "Yes" vote, to generate revenue to create and preserve affordable rental and ownership housing to meet the current and future needs of workforce and lower-income Sonoma County residents.

Priority Housing Needs

Stakeholders have expressed a desire for any Housing Recovery Bond to address the following needs:

1. Financial assistance to existing homeowners who lost their homes in the fires.
2. Housing that addresses the Regional Housing Needs Assessment (RHNA) of Sonoma County and the incorporated cities, which provides a roadmap to address the needs of local workers, including agricultural and tourism industry employees and their families, as well as essential public servants like teachers, first responders, and health workers, via a mix of affordable rental and ownership opportunities.
3. Permanent supportive housing for formerly homeless families and individuals.
4. Accessible, well-located housing for seniors on fixed or limited incomes, veterans, families, and people living with disabilities.
5. Housing near transit and job and service centers that incorporates green-building and alternative-building technologies, and focuses growth within priority development areas (PDA's), urban service areas (USA's) within the existing footprint of the urban service area, and that does not violate voter approved community separator and urban growth boundary ordinances.

Oversight, Criteria, and Approach

Community leaders and stakeholders agree that transparency and accountability must be built into the structure to gain voter confidence. These principles will also be essential for successful implementation.

1. **Oversight.**

A trusted independent Citizen Oversight Committee, with ties to the elected bodies of the relevant jurisdictions, shall be appointed. To ensure geographic equity, the COC will include representatives from all five Supervisorial districts, including incorporated and unincorporated residents. To ensure diversity of thought, the COC will include representatives from agriculture, business, real estate, non-profit and market-rate housing, environment, labor, and tenant advocacy. Structures used by other jurisdictions and voter approved measures will be reviewed and brought forward for consideration with the goal of ensuring balanced, diverse representation.

2. **Public Benefits.**

Achievement of other public policy goals will be incorporated to the greatest extent possible. These will include the use of climate-smart, net-zero, or all-electric construction standards; preferences for use of local labor and prevailing wage rates; the incorporation of graduates from Sonoma County construction trades programs and union apprenticeship programs on the job site, for the purpose of strengthening the trades education pipeline in the community; and strategies to address housing disparities experienced by communities of color and ensure that historically underserved populations gain access to the housing created through the bond.

3. **Funding.**

Resources generated from this Housing Recovery Bond will be dedicated for investment back in the originating city jurisdictions on a \$1.00 to \$1.00 ratio, and to the originating supervisorial districts on a \$1.00 to \$1.00 ratio. This 1:1 return will be measured on a rolling three-year basis, in recognition of the fact that development projects require multiple years to complete.

4. **Fund Management.**

Revenue generated will be collected by the Sonoma County Tax Collector and distributed to the Sonoma County Community Development Commission (CDC), City of Santa Rosa, and City of Petaluma as the three entitlement jurisdictions in the County. The CDC, the Santa Rosa Housing Authority (SRHA), and City of Petaluma will use their existing agency lending capacities and collaborate on program access for developers to ensure a consistent and predictable method of receiving, analyzing

and investing in project proposals. Entitlement jurisdictions shall withhold the right to opt-in to the county's regional governance body.

5. **Investment Time Limits.**

Resources must be committed to an affordable housing development within three years and expended within five years of receipt.

6. **Timely Expenditure.**

Funds that are not expended at the project level in a timely fashion shall be returned to the allocating agency for reallocation.

7. **Innovation and Opportunity Fund**

It is the intention of the Housing Recovery Bond to encourage new and creative ways to produce affordable housing. There is community interest in developing regenerative financing opportunities capable of carrying the impact of the bond well beyond the initial implementation. Therefore, a proposed funding category will be created with a goal to secure up to 15% of the total resource received within jurisdictions to support these purposes, in addition to existing regenerative mechanisms such as housing trusts, and developer loans, also known as a deferred payment loan.

8. **Methods of Investing**

All funds generated by this bond shall be prioritized to leverage additional state and federal funds from existing and emerging funding opportunities in order to maximize the value of the taxpayer's dollar, maximize the number of affordable low, very low and workforce housing units built in Sonoma County, and to provide the taxpayer with a significant return on their investment.

9. **Project Selection**

Project selection process and criteria will be adopted by the Housing Recovery Committee prior to implementation. Such criteria will be informed by a comprehensive housing needs assessment and market study that explicitly examines commute patterns and unique aspects of Sonoma County's land use laws, without compromising voter-approved urban growth boundaries and community separators. Preferences, priorities, requirements, and project selection criteria developed from this study will include the following:

- Down-payment assistance (silent second) and gap financing for fire survivors;
- Measures of housing insecurity including housing quality standards, over-crowding, rent burdens, poverty, and homelessness by sub-market [aka region];
- The likelihood that the proposed project will advance objectives within the locally-adopted General and/or Specific Plans, especially as relates to density and

concentrating development in urban centers and near transit, as well as green building principles and water resource use;

- The degree to which the proposed project has the potential to reduce vehicle miles traveled (VMT) by virtue of its location near transit, jobs and service centers;
- The likelihood that the proposed project will advance goals within the Climate Action Plan 2020 through use of green building techniques, including CalGreen Tier 1 Building Technologies;
- Availability of public infrastructure;
- Financial feasibility of the project and other normal public financing due diligence matters including the capacity of the development team and long-term property and asset management strengths;
- Readiness to proceed.

10. Accountability Measures.

Resource investment metrics will be developed, tracked and reported under the direction of the Citizen's Oversight Committee to ensure accountability. These may include overall numbers of units produced or assisted; at what income level of affordability; average and ranges of Bond subsidy per unit; comparators of revenue and units produced by geography and revenue source; direct construction jobs created; and leverage of both private and other public funding sources.

Proposed Funding Categories

Workforce [TS1] Housing Production, and Preservation, and Conversion Fund	Homeownership
75%	25%
\$225,000,000	\$75,000,000
0% - 80% of AMI	Up to 120% AMI
<p>Housing that serves and is affordable to Extremely Low, Very Low and Low-Income Households</p> <p>Examples:</p> <ul style="list-style-type: none"> • General rental housing that serves all household sizes, including large families. • Permanent Supportive Housing for formerly homeless families and individuals (where funding for services is provided by non-bond sources) • Special needs housing for specific populations (where funding for services is provided by non-bond sources) • Agricultural worker housing on farms, as allowed by zoning code • Manufactured Housing • Manufactured Home Park development and preservation, including replacement of aging and unhealthy homes. • Accessory Dwelling Units (wherein the ADU is intended to be rented to a non-family member). <p>Permanent Supportive Housing for individuals and families experiencing homelessness.</p> <p>Funding for new on-site and off-site farmworker family housing, in addition to funding for purchasing affordability covenants on existing farmworker housing.</p> <p>Up to 15% in innovation and opportunity for emerging models and regenerative financing</p>	<p>Gap financing for rebuilding homes lost in October 2017 fires and to assist with necessary infrastructure costs</p> <p style="text-align: center;">Down payment assistance</p> <p style="text-align: center;">Home Repair</p> <p>Non-traditional affordable homeownership models including land trusts, self-help, rent-to-own</p> <p>Manufactured Home Repair/Replacement.</p> <p style="text-align: center;">Accessory Dwelling Units</p> <p>Up to 15% in innovation and opportunity for emerging models and regenerative financing.</p>

OTHER PROGRAM ADMINISTRATION MATTERS

In all categories, eligible uses of Bond funds will include site acquisition, predevelopment expenses, and interim and permanent financing. Land trusts and long-term ground leases will be considered, subject to applicability of bond regulations. Both new construction and acquisition and upgrade of existing properties are anticipated. Use of modular /or manufactured housing construction types will be allowed.

In order to maximize taxpayer benefit, these funds will incorporate a number of regenerative mechanisms that provide affordable housing projects with the necessary gap financing, but return the initial investment, plus modest interest, to the cities and county for future housing finance opportunities upon project completion. This concept of jurisdictional equity will empower cities and the county to provide developers with bridge financing to help projects that provide public benefit reach the entitlement stage, upon which time the project can then leverage conventional private financing from banks and lending institutions. To protect the public interest, these loans shall be made by securing the loan against the property. Should the project fail, the jurisdiction shall retain ownership of the land, which can be used to leverage future affordable housing development opportunities.

Any funds committed on a permanent basis within a project will be assumed to serve as “equity” within project development budgets, but some provisions for repayment over time if economics allow will be included in loan or grant documents. The goal will be to only invest enough Bond resources to render any individual project feasible and eligible for other public and private capital sources e.g. as “gap” funding, which may include federal or state tax credits, grant programs, and conventional mortgage financing. In all cases the loans or grants will be secured by standard public financing loan agreements, deeds of trust (subordinate to other funders as appropriate), and long-term affordability regulatory agreements.

If the jurisdictions create a inter-jurisdictional agreement, that arrangement may allow access to additional funds through a larger multi-sector loan arrangement under the direction of the Oversight Body. But such deployment would still require targeting of the funds for the production of rental and ownership housing for low- and moderate-income households as described above and in the final Bond ballot language.

FINANCIAL IMPACT

Estimated Revenue: \$300 million

Tax Rate: \$19.53/\$100,000

Term: 26 years

Interest Rate: 4.56%