

# 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, Santa Rosa lost 4,658 homes in the 2017 wildfires; and

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

Whereas, the Regional Housing Needs Assessment for Santa Rosa called for the construction of 5,000 additional homes prior to the fires, 2,500 of which needed to be affordable to support the needs of low and moderate income families; and

Whereas, City's General Plans, Specific Plans, and Priority Development Areas adopted by the City Council call for concentrating new housing development in designated infill areas and near transit, and for achieving housing density in the downtown area, while protecting community separators, agriculture, and open space; and

Whereas, the City Council of Santa Rosa has 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, accessing federal, state, and private competitive resources to build new affordable housing requires the leveraging of significant local funds (local match), but the City of Santa Rosa does not currently have a sustainable local source for such leverage, placing our City at a severe economic disadvantage;

Whereas, the provision of local match can successfully leverage an additional \$4 to \$9 for affordable housing from state, federal, and private sources for every \$1 provided by the local jurisdiction, creating a large economic stimulus for the Santa Rosa economy and multiplying the funds available for new housing construction, locally; 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 region; and

Now therefore, be it resolved, the City of Santa Rosa hereby submits this measure to the voters of the City, 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 the workforce and lower-income 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 the City of Santa Rosa, 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), in concurrence with the laws enacted by 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 appointed by the City Council. 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. The Oversight Committee will be granted specific powers to ensure the best, most efficient use of the public's money is achieved during the project approval process.

## 2. **Public Benefits.**

The following public benefits shall be incorporated and consist of:

Climate-smart, net-zero, or all-electric construction standards; use of prevailing wage and an effective enforcement policy to ensure prevailing wages are paid; use local labor through a strong local hiring ordinance that shall first hire Sonoma County construction workers, residing within the jurisdictional boundaries of Sonoma County, followed by the "bordering jurisdictions" of Napa, Solano, Lake, Mendocino, and Marin Counties, for the purpose of further strengthening the economic vitality of the region. If a labor shortage is so great that workers cannot be pulled from this region, labor may be procured from outside the region; 10% of cumulative project hours shall be done by state-certified Journeymen, but the inability to provide this labor due to a labor shortage shall not impede a project from moving forward; finally, strategies to address housing disparities experienced by communities of color and ensure that historically under-served populations gain access to the housing created through the bond. All of the above above provisions shall be adhered to, but not to the extent to which a project can be stalled, or such public benefits impede its ability to be a competitive proposal. The requirements laid out in each individual state and federal funding pool shall be followed and met by the jurisdiction and the project applicant in order to maintain a project proposal's ability to best leverage the most funds.

## 3. **Funding.**

Resources generated from this Housing Recovery Bond will be dedicated entirely to the construction of affordable housing through the utilization of the City of Santa Rosa's Housing Authority and associating Housing Trust.

4. **Fund Management.**

Revenue generated will be collected by the Sonoma County Tax Collector and distributed to City of Santa Rosa. The Santa Rosa Housing Authority (SRHA), and 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.

5. **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.

6. **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 Santa Rosa, and to provide the taxpayer with a significant return on their investment.

7. **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 Santa Rosa'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.

**8. 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

<p style="text-align: center;">Workforce [TS1] Housing Production, and Preservation, and Conversion Fund</p> <p style="text-align: center;">75% of Total Bond Revenue</p> <p style="text-align: center;">0% - 80% of AMI</p>	<p style="text-align: center;">Homeownership</p> <p style="text-align: center;">25% of Total Bond Revenue</p> <p style="text-align: center;">Up to 120% AMI</p>
<p style="text-align: center;">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"> <li>• General rental housing that serves all household sizes, including large families.</li> <li>• Permanent Supportive Housing for formerly homeless families and individuals (where funding for services is provided by non-bond sources)</li> <li>• Special needs housing for specific populations (where funding for services is provided by non-bond sources)</li> <li>• Manufactured Housing</li> <li>• Manufactured Home Park development and preservation, including replacement of aging and unhealthy homes.</li> <li>• Accessory Dwelling Units (wherein the ADU is intended to be rented to a non-family member).</li> <li>• Permanent Supportive Housing for individuals and families experiencing homelessness.</li> <li>• Funding for new farmworker family housing.</li> </ul> <p style="text-align: center;">Up to 15% in innovation and opportunity for emerging models and regenerative financing</p>	<p>Low-interest 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 City for future housing finance opportunities upon project completion. This concept of jurisdictional equity will empower the City 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 City 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 an 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**

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

**Term:** 26 years, declining.

**Interest Rate:** 4.56%