



**COUNTY OF SAN MATEO**  
**Members Memorandum**  
County Manager's Office



**DATE:** March 25, 2013  
**BOARD MEETING DATE:** April 9, 2013  
**SPECIAL NOTICE/HEARING:** No  
**VOTE REQUIRED:** No

**TO:** Honorable Board of Supervisors

**FROM:** John L. Maltbie, County Manager

**SUBJECT:** Use of Unrestricted General Funds Derived from One-Time Distribution of Housing Trust Funds of Former Redevelopment Agencies

**RECOMMENDATION:**

Consider options for the use of unrestricted County General Funds received as part of a one-time distribution of liquidated Low-Moderate Income Housing Trust Funds of former redevelopment agencies, and if so desired, direct staff to refine one or more alternatives to bring back to the Board for consideration as part of the budget.

**BACKGROUND:**

**Dissolution of RDAs and Re-allocation of Funds**

Until their recent dissolution, 13 redevelopment agencies (RDAs) operated within cities in San Mateo County. Each RDA was funded by a portion of the incremental property tax levied within its project area boundaries. The RDAs were required to put 20% of their gross tax-increment revenue into a Low-Moderate Housing Fund (LMHF) to be used for development of affordable housing. The LMHFs provided the largest single source of local funding for most local housing projects. RDAs typically provided LMHF money to housing projects as grants, forgivable loans or long-term, low-interest loans with flexible repayment terms.

When the RDAs were dissolved by the State of California, a Successor Housing Agency was designated for each agency. In most cases the Successor Housing Agency is the local city. These agencies are allowed to retain LMHF funds for certain limited purposes, but is required to liquidate uncommitted balances and transfer them to the County Controller for distribution according to a state adopted formula to specific agencies.

In San Mateo County, \$58.9 million in LMHF funds have been returned to the Controller with an additional \$10.2 million currently in dispute that may be added to the total to be reallocated. The sources and amounts of funds by city are summarized on Attachment A. The Controller will distribute the LMHF funds according to a state-adopted formula which would allocate the \$58.9 million as follows.

- \$30.8 million to schools and education agencies
- \$13.4 million to the County
- \$8.5 million to the 13 cities that had RDAs
- \$6.2 million to other agencies, mostly special districts

The LMHF funds the County will receive are unrestricted General Funds. The County has complete discretion over their use.

### **The Need for Affordable Housing**

Between 2002 and 2006, the County worked with over 200 stakeholders to develop a 10 year action plan to eliminate homelessness. The plan found that the County needs to add 8,000 affordable housing units to accommodate all the families and individuals that are currently homeless or at risk of being homeless.

### **City Housing Projects in the Development “Pipeline”**

Currently, 21 projects planned in 12 cities include units with long-term affordability assured by deed restriction. The list of projects and their status is dynamic but a current estimate of their development status by stage, is presented in Attachment B and includes 1 in pre-development, 5 in feasibility studies and 15 in the conceptual stage. Together, these projects would create more than 1,000 affordable housing units. To be constructed, these 21 projects would require about \$150 million in funding from local sources such as host cities, philanthropies or the County.

### **DISCUSSION:**

To expand the supply of permanently affordable housing, the County could allocate the former LMHF money in one or more of the following ways.

- **Contribute funding for the construction and/or renovation of emergency shelters in underserved communities.** Constructing one or more permanent homeless shelters will reduce the on-going public costs of homelessness. A new emergency shelter in East Palo Alto, currently projected to be 40 beds, would partially replace south-county capacity lost when the Clara-Mateo Shelter closed. The Maple Street shelter could be upgraded and/or expanded to better utilize the site and potentially add beds. Addition of day-use “opportunity center” facilities at one or both of these sites could provide space for more effective and efficient delivery of services by the County and our partner agencies
- **Contribute funding to housing projects meeting specific criteria in cities that lost RDA funding.** This option could support one or more of the housing projects in the planning and development “pipeline” at the time the RDAs were dissolved. Criteria for allocating funds to projects could include:
  - Project must be ready for occupancy within two to five years from receipt of funding,
  - The County contribution would leverage funds from other public and private sources, such as the Mental Health Services Act or city

funds or other sources.

- The project provides permanent housing for homeless families or individuals or those at risk of homelessness, veterans, persons with disabilities, survivors of domestic violence, at risk transition-aged youth and/or former inmates returning to the community.

Funding for selected projects could be provided as grants, forgivable loans or low interest long term loans with flexible repayment terms. Grants and forgivable loans would be a one-time use of these funds. Loans would set up a revolving fund which would require long term management.

- **Contribute to small scale property acquisition by non-profit organizations for targeted populations.** This option expands on multiple successful non-profit pilot projects in San Mateo County by agencies like CORA, the Service League, HIP Housing and Shelter Network. Under this model, a non-profit purchases and renovates a small residential property and then provides program support for a specific population such as re-entry clients, domestic violence victims, homeless families or individuals or another specific populations in need. The funding would support purchase costs and the non-profit would be responsible for operating expenses.

## **RECOMMEDATION**

The recommendation is to allocate 100% of the expected \$13.4 million in LMHV funds received by the County as follows:

- 25% to shelter construction and improvements (\$3.35 million)
- 75% to affordable housing projects in the cities (\$10.05 million)

Any LMHF funds the County receives that are not committed by June 30, 2014 will be allocated to small scale property acquisition by non-profit organizations. Allocation of those funds will be based on the same criteria listed above for the selection of city housing projects – prompt occupancy, leveraged funding and provision of housing for targeted populations.

## **FISCAL IMPACT:**

Allocating the County share of the RDA LMHF funds would not create additional costs for the County General Fund with the possible exception of limited administrative costs. The amount of those costs would depend on how the Board chooses to allocate the funds and track the outcome of those investments. Any additional General Fund costs would be brought back to your Board as part of a budget package that includes all selected funding options.