



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: May 4, 2015
Board Meeting Date: May 19, 2015
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager
Peggy Jensen, Deputy County Manager

Subject: Affordable Housing Follow-up

RECOMMENDATION:

Accept this report and provide direction on allocation of the \$11.5 Million Measure A for Affordable Housing programs and projects.

BACKGROUND:

On March 17, 2015, the Board tentatively approved allocating \$11.5 million in Measure A funds for affordable housing in FY 2015-17. The allocation included \$9 million for the Affordable Housing Fund and \$2.5 million for additional affordable housing programs. Also on March 17, 2015, the Board held a study session on affordable housing. The Board requested follow-up action on 29 items including eleven actions outlined in "Affordable Housing: Preventing Displacement, Promoting Affordable Housing Development" and 18 additional ideas.

DISCUSSION:

The attached matrix lists the 29 study session follow-up items and describes the task, indicates the lead agency, the required funding, current project status and requested Measure A allocation. The follow-up items, organized by report back approach, are described below.

1. Immediate Action Items

At the study session, the Board directed staff to take immediate action on 7 items. For each immediate action item, the responsible department is preparing a work plan, has developed a proposed budget and is proceeding with the work. The immediate action items include:

- **Continue the Affordable Housing Fund (AHF)** – A \$9 million allocation of Measure A funds was tentatively approved by the Board on March 17, 2015 in addition to the \$3 million previously approved utilizing Housing Authority funds. The Department of Housing issued a Notice of Funding Availability (NOFA) for the FY 2015/16 allocation of \$6 million in early April. The NOFA designates \$1 million for the purchase and rehabilitation of existing multi-family rental properties and \$5 million for new construction projects. A \$6 million NOFA will also be issued in FY 16/17.
- **Landlord Tenant Information and Referral Program** – The Department of Housing is preparing a Request for Proposals (RFP) for a landlord and tenant information and referral program. The RFP will be issued to community based organizations in May and a contract is expected to be signed in July. Up to \$160,000 of Measure A funds will pay for this two year contract.
- **Continue Consulting Support for 21 Elements** – A contract amendment will be drafted by the Department of Housing to extend the term and expand the scope of work for Baird and Driskell, the 21 Elements project consultant, to develop a Housing Element implementation tool kit for all the cities and the County. This work will be jointly supported by C/CAG and the County with a proposed County Measure A contribution on \$175,000. The contract amendment will come to the Board in June for approval.
- **Promote Shared Housing** – The Department of Housing is currently negotiating a contract with HIP Housing for this work. The contract is expected to have a July 1, 2015 start date and be funded by up to \$300,000 in Measure A funds.
- **Incentives for Accepting Section 8 Vouchers** – The Department of Housing will update the Board on their many efforts to encourage landlords to accept Section 8 vouchers during their budget presentation in June.
- **Audit of Mobile Home Rent Control Ordinance** – County Counsel and the County Manager's Office are developing a timeline and work plan for this project which will be shared with the Board via a member's memo in late May.
- **Two Year Term Position for the Department of Housing** - To assist the Department of Housing with their additional affordable housing assignments Measure A funding is requested for a two year term position.

2. New Policies

Planning and Building will be responsible for the following six policy changes:

- Second Unit Program
- Second Unit Amnesty
- Small Houses – individual and multi-family
- No Net Loss Policy
- Affordable Housing Overlay Zone
- Co-Housing policy

The total funding request for these projects is \$565,000, which would all come from Measure A. This includes \$255,000 for consultants to develop second unit and small house designs and promotion programs and \$30,000 for the 21 Elements consultant for policy work. To fund a pilot second unit rehabilitation loan program, \$180,000 is requested. And to back fill assignments currently being done by the Planner who will be assigned to this work, \$100,000 is requested for a one-year term Planner position.

We expect all the new and revised policies to come to the Board and/or Planning Commission for review and approval in FY 2015/16.

3. New or revised ordinances – County Counsel will take the lead on revising and drafting the following requested ordinances:

- Residential Impact Fees
- Inclusionary Housing Ordinance

The 21 Elements report, to be released in June 2015, must be complete before the residential impact fee ordinance can be drafted. County Counsel has received a draft document, and will begin work on the ordinance, but must wait for release of the final document in June to complete work on the draft ordinance. Work on an inclusionary housing ordinance cannot proceed until there is a ruling from the State Supreme Court on this issue. When the decision is available, County Counsel will prepare a members memo that explains the effect of the decision on the County ordinance and presents a time line for an update, if needed.

4. Ongoing Board Updates: Funding and Housing Sites

Two requests from the Board will be addressed through ongoing updates. As new information becomes available on Federal and State funding for affordable housing, Department of Housing and our Legislative staff will update the Board. And when new opportunities to acquire land or re-purpose County owned property for affordable housing come up, Real Property will update the Board via a member's memos. In

addition, HEART, has received funding from the Silicon Valley Community Foundation to analyze potential affordable housing sites currently owned by public agencies in the County. The results of the HEART report, along with any change in the status of County property availability, will be presented to the Board when the HEART report is available.

5. Board Recommendations: Immediate Action Items

Some of the suggestions put forward by Board members at the study session can easily be incorporated into the report back process outlined above. Those suggestions include:

- **Affordable housing preservation fund** – This concept will be tested in the current Affordable Housing Fund NOFA. One million dollars of the \$6 million allocation for FY 2015/16 has been designated for purchase and rehabilitation of existing properties.
- **Conversion of hotels/motels to affordable condominiums** – The Affordable Housing Fund can be used for hotel/motel conversion.
- **Overcoming NIMBYism** – The new policies being developed around second units, no net loss and the affordable housing overlay zone will create areas where affordable housing can be built by right and cannot be denied because it is affordable.

6. Board Recommendations: Further Research and Budget Allocations

Another group of suggestions from the Board require more work before staff can prepare a work plan and budget request. Staff will research and develop these ideas and return with program and budget recommendations for consideration by the Board in the summer. Programs that the Board wants to implement can be included in the final budget adopted by the Board in September. The items in this category are described below:

- **Landlord/tenant Mediation Program** – Supervisor Slocum suggested implementing a landlord/tenant mediation program modeled after programs in San Jose, Palo Alto and Los Gatos. Staff will research the services provided in these cities, their provider models and the program costs. A recommended approach will be presented to the Board this summer.
- **Apartment Registry** – San Jose tracks and monitors the health and safety conditions in apartments. Supervisor Slocum suggested that the County create a similar program. Staff will research the San Jose program and report back the current oversight of apartment buildings by Environmental Health

and a work plan and budget for apartment registry services for unincorporated San Mateo County.

- **Homebuyer Assistance** – Many Supervisors mentioned homebuyer support at the study session. Supervisor Horsley suggested a program for County employees based on a model developed by the Community College District for their employees. Supervisor Pine suggested a program open to all county residents and there was also discussion about dedicated housing assistance for county clients and public employees. Department of Housing staff will research the Community College and the HEART Opening Doors second loan programs and develop a proposed program for consideration by your Board.
- **Affordable Housing Bond** – Staff will research the Affordable Housing Bond developed by San Francisco and report back to the Board on options.
- **Forgivable rehabilitation loan program** – An improvement loan program for owners of smaller multi-family buildings was also proposed by Supervisor Horsley. The loans would be forgivable in return for a period of rent control on the improved units. The Department of Housing is looking into federal funding that offers similar support for landlords and will develop a recommendation that hopefully leverages any County funds with matching funds from other sources.
- **Develop rental units for government employees** – Affordable units for public sector employees such as school teachers, law enforcement, firefighters and other city, county or special district employees was supported by all Board members. The challenge with this recommendation is that housing projects built with federal or state tax credits or other federal/state funds must work within limited preference possibilities for tenants. Therefore, the Affordable Housing Fund, as currently designed, could not be used to develop this type of project. To limit tenants to public employees, the County and/or other jurisdictions would have to fully fund the project or enter into some type of agreement with a developer. Options will be explored during the next year.

7. Rent Control

Given the complexity of this issue and the types of additional information requested by the Board, rent control will be a separate report back item. County Counsel is currently researching the questions asked by the Board at the study session regarding rent control. Counsel will prepare a members memo that addresses current landlord tenant

law related to rent increases, options for landlord incentives and other aspects of this issue raised by the Board. After the memo is distributed, which should be no later than June, staff will work with the Board members on next steps on this item.

8. City/County Housing Task Force

The County will convene a task force focused on Bridging the Gap between Jobs and Housing in San Mateo County. The Task Force will begin meeting in September of 2015 and convene monthly for up to 15 months. The meetings will initially focus on housing education and then move to discussion of solutions and creative ideas for consideration by all the communities in the County.

FISCAL IMPACT:

As noted in the background statement, the Board of Supervisors tentatively approved an \$11.5 million Measure A allocation for Affordable Housing programs on March 17, 2017. Nine millions dollars of that allocation is dedicated to the Affordable Housing Fund, \$3 million in FY2015/16 and \$6 million in FY 2016/17. The remaining \$2.5 million will fund the projects outlined in this memo. To fund the projects the Board approved at the March study session, \$1,500,000 million is requested. That request is summarized on the chart below.

Use of Funds	Amount	Description
Affordable Housing Fund	9,000,000	FY 2015-16 and FY 2016-17 funding
Consultants	410,000	Small house and second unit design and promotion and planning and zoning policies
Term Staff – Planning and Housing	400,000	One year for Planning and two years for Housing
Community Based Organizations	460,000	Tenant information and referral and home sharing
Second Unit Rehabilitation Pilot Loan program	230,000	Pilot program start-up funds
TOTAL	10,500,000	

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If the Board approves the requested funds for the immediate projects and the policy work, \$1 million in affordable housing funding would remain for allocation to the Board's additional ideas. Staff will present project and budget proposals for those items at the August 2, 1015 Board meeting for inclusion in the final budget to be adopted in September.

Attachment:

Affordable Housing Study Session Follow-up Actions