



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager's Office



Date Prepared: April 19, 2017

Board Meeting Date: April 25, 2017

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Revised **Measure K** Allocation Plan - Affordable Housing allocation for FYs 2017-2019

RECOMMENDATION:

Approve revisions to the **Measure K** Allocation Plan regarding affordable housing funding.

BACKGROUND:

At its April 11th meeting, the Board was presented with reports on (1) the financing plan and timelines for new major capital projects, (2) the information technology plan, (3) the affordable housing plan and (4) the **Measure K** allocation plan for the FY 2017-19 Recommended Budget. After accepting the financing plans and timelines for new major capital projects, the Board directed staff to present options to the **Measure K** Subcommittee to increase the allocation of **Measure K** funds for affordable housing from the proposed \$15 million per year to \$25 million per year. The Board directed the **Measure K** Subcommittee consisting of Supervisors Horsley and Slocum to discuss options for such increased affordable housing funding. The Subcommittee met with staff on April 19.

DISCUSSION:

The discussion section of this report is divided into two parts: (1) a discussion of the proposed sources for the increase in the **Measure K** allocation for affordable housing, which is followed by (2) a proposed distribution plan for the total housing allocation.

Increasing the Measure K Allocation for Affordable Housing

In order to prioritize funds for affordable housing, staff presents two options for the Board's consideration. Option 1 increases the **Measure K** allocation for affordable housing to \$22.5 in FY 2017-18, and \$25 million in FY 2018-19 and subsequent years. The total recommended funding for FY 2017-19 under Option 1 is \$47.5 million. Option 2 increases the **Measure K** allocation for affordable housing to \$20 million in FY 2017-18 and subsequent years. The total recommended funding for FY 2017-19 under Option 2 is \$40 million.

- **Defer High-Risk Youth Initiatives Identified through Community Asset Mapping**– the Board approved \$500,000 in the current fiscal year to begin the neighborhood planning and asset mapping processes for census tracts with high concentrations of youth in the juvenile justice, behavioral health, and child welfare systems. Staff initially recommended setting aside \$2.5 million annually to fund youth initiatives in these most vulnerable areas. Both options would delay completion of the planning and asset mapping, and defer the introduction of new initiatives to FY 2019-20, when more will be known about what exists in these areas already, and how **Measure K** funds can best be leveraged.
- **Phase Out County Contributions to SamTrans Operations** – the County agreed to support SamTrans operations during the recession, contributing \$5 million annually since FY 2013-14, for a total of \$20 million through June 30, 2017. The recent transportation plan approved by the state will provide additional funds to SamTrans. Option 1 would reduce the County's contribution by \$1.25 million in FY 2017-18, \$2.5 million in FY 2018-19, and eliminate the contribution altogether in FY 2019-20. Option 2 would reduce the County's contribution by \$2.5 million in both FY 2017-18 and FY 2018-19, and eliminate the contribution altogether in FY 2019-20.
- **Reduce Board District-Specific Funds in FY 2017-19 Budget** – beginning in FY 2015-16, the Board allocated \$3.5 million per year in **Measure K** funds, equally divided among the five supervisorial districts, to address district-specific needs. Exhibit 1 itemizes how the District funds for loans and grants have been spent over the past two fiscal years. Option 1 would reduce district-specific funds by \$2.5 million annually for FY 2017-18 and FY 2018-19. This would leave \$1 million, or \$200,000 annually for each Board district. With the elimination of the SamTrans contribution in FY 2019-20, Option 1 would restore district-specific funding to \$3.5 million per year. Option 2 would leave district-specific funding at \$3.5 million per year.
- **Reduce IT Funding in FY 2017-19 Budget** – staff had recommended an annual **Measure K** allocation of \$5 million toward countywide technology and communications infrastructure improvements to support new applications in departments. Option 1 would reduce the allocation to countywide IT by \$1.25 million in FY 2017-18 and \$2.5 million in FY 2018-19. This would limit the number of sites planned for improved bandwidth so that performance of department applications might be slower over the network, resulting in lower productivity than expected. In addition, ISD will not be able to provide disaster recovery solutions for all applications; ISD would work with each department to identify a prioritized sub-set of these applications for off-site hosting in FY 2017-19. Also, ISD would reduce the allocation of funds for new data center and radio site equipment which may result in an increase in unplanned downtime of sites due to aging equipment and lack of backup equipment. Beginning in FY 2019-20, Option 1 would restore the IT allocation back to \$5 million to continue improving infrastructure, and funding the replacement of critical systems, including the Property Tax System and infrastructure for the Public Safety Radio System. Option 2 would leave the allocation for countywide IT at \$5 million per year.
- **Contract with Verity (Seton Medical Center)** – the agreement to contribute to the seismic retrofitting of Seton Medical Center will end in FY 2018-19. Both options eliminate this funding beginning in FY 2019-20. Option 1 would use the freed-up funds to restore district-specific funding and countywide IT to previous levels. Option 2 would set the funds aside in

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A comparison of the **Measure K** allocation Plan presented to the Board on April 11, 2017 and the two options are presented in the following tables.

Option 1 – Measure K Allocation Plan

APRIL 11 BOARD RECOMMENDATIONS			APRIL 25 PROPOSED PLAN				
(in Millions)			(in Millions)				
Description	FY 2018	FY 2019	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Affordable Housing increase to \$25M	\$ 15.0	\$ 15.0	\$ 22.5	\$ 25.0	\$ 25.0	\$ 25.0	\$ 25.0
Changes:							
Community Asset Mapping-Youth	2.5	2.5	-	-	2.5	2.5	2.5
Samtrans Contribution	5.0	5.0	3.75	2.5	-	-	-
Board District-Specific Funds	3.5	3.5	1.0	1.0	3.5	3.5	3.5
Information Technology Projects	5.0	5.0	3.75	2.5	5.0	5.0	5.0
North County Healthcare (Seton)	5.0	5.0	5.0	5.0	-	-	-
Items Unchanged:							
All Other Continuing Initiatives	32.6	32.6	32.6	32.6	32.6	32.6	32.6
Whole Person Care Pilot - match	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Backfill for state/federal impacts	5.0	5.0	5.0	5.0	5.0	5.0	5.0
FAA ruling - airport operations	3.0	3.0	3.0	3.0	3.0	3.0	3.0
New Parks Capital Projects	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Annual Measure K Allocation	\$ 81.6	\$ 81.6	\$ 81.6	\$ 81.6	\$ 81.6	\$ 81.6	\$ 81.6

Option 2 – Measure K Allocation Plan

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Proposed Allocation of the Increased Measure K Funding for Housing

At the April 11, 2017 Board meeting, staff recommended using the **Measure K** housing funds to assist the maximum number of families and individuals. The same approach was used to develop the recommended allocations outlined below. Option 1 is a proposed allocation of \$47.5 million in new **Measure K** funds with \$22.5 million in FY 2017-18 and \$25 million in FY 2018-19. Option 2 is a proposed allocation of \$40 million in new **Measure K** funding for housing, representing an annual allocation of \$20 million.

Two Proposed Allocation Options for Measure K Funding for Housing for FY 2017-19

Program	Option 1 \$47.5 million	Option 2 \$40 million
Affordable Housing Fund	31,600,000	31,600,000
Affordable Rental Preservation	7,900,000	400,000
HEART or Rental Preservation	5,000,000	5,000,000
Housing Development and Preservation Subtotal	44,500,000	37,000,000
Tenant Assistance Programs	1,400,000	1,400,000
Ongoing Programs and Staffing	1,600,000	1,600,000
Total	47,500,000	40,000,000

In both Option 1 and 2, all of the additional **Measure K** funds above the original recommendation of \$30 million for FY 2017-19 were added to the housing development and preservation programs. Both options include \$31.6 million for the Affordable Housing Fund which will cover 100% of the housing pipeline costs projected by the Department of Housing (DOH) for the upcoming two fiscal years. The DOH pipeline includes projects with 600 units that will close within the next two years and another 800 units in pre-development.

Option 1 also includes \$7.9 million in new **Measure K** funding for the rental preservation program. Added to the available balance of \$800,000, Option 1 has a total of \$8.7 million for preservation. Under Option 2, \$400,000 in new funding is recommended for the preservation program for a total of \$1.2 million.

If new funding is added to the preservation program, it is recommended that County clients occupy the same percentage of units in a "preserved" building as the County contribution represents of the purchase price. For example, if the County contributes 35% to the total purchase price, County clients, over time, would occupy 35% of the housing units. Proportionate client occupancy is also recommended for new developments assisted through the Affordable Housing Fund.

There is no change in either Option to the original recommendation of \$3.0 million in new **Measure K** funding for ongoing housing programs. That new money will be supplemented by \$1.5 million in on-going **Measure K** funds. The tenant services is the largest group of ongoing programs and includes contracts with Project Sentinel for a tenants hotline and tenant

workshops and with Legal Aid for legal support. Also included in tenant services is continuation of the enhanced apartment inspection program operated by Environmental Health. Other ongoing work includes support for second unit promotion and development of a second unit amnesty program for the unincorporated area, term staff for the Department of Housing and for Planning and Building and funding for the Home for All initiative.

FISCAL IMPACT:

If the Board approves Option 1, the annual **Measure K** allocation for affordable housing would increase from the original proposal of \$15 million a year to \$22.5 in FY 2017-18 and then \$25 million in FY 2018-19. Should the Board approve Option 2, the annual **Measure K** allocation for affordable housing would increase to \$20 million. The increases in Option 1 would be funded through the deferral of high-risk youth initiatives in vulnerable areas, a two-step reduction of the SamTrans contributions, reduction of funds for district-specific needs, and reductions in IT projects that increase productivity and disaster recovery for business applications. The increases in Option 2 would be funded through the deferral of high-risk youth initiatives in vulnerable areas and by reducing SamTrans contributions in half.

Staff recommends that with the agreement to seismically retrofit the Seton Medical Center set to expire in FY 2018-19, that future funding be set aside in **Measure K** reserves. There remain a number of significant unfunded or partially projects, including Property Tax System replacement, enhanced Correctional Mental Health services, and new green infrastructure and stormwater regulations.

Attachments

Exhibit 1 – **Measure K** District-Specific Allocations FY 2015-17