



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 16-112

Board Meeting Date: 5/16/2017

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: John L. Maltbie, County Manager
Subject: **Measure K** Allocation Plan and Affordable Housing Plan for FYs 2017-2019

RECOMMENDATION:

Approve revisions to the Fiscal Year 2017-19 **Measure K** Allocation Plan and Affordable Housing Plan, direct staff to include all necessary changes in the June revisions to the Recommended Budget and also direct staff to develop additional criteria for funding rental preservation projects.

BACKGROUND:

At its April 25 meeting, the Board considered, two options to increase **Measure K** funds for affordable housing, with corresponding reductions in other **Measure K** initiatives. The Board did not select an option and directed staff to meet with President Horsley and Supervisor Pine to prepare a recommendation for the Board's consideration at its May 16 meeting. A meeting was held on May 9 with community members who spoke at the April 25 meeting, and President Horsley and Supervisor Pine met with staff on May 10 to develop Board recommendations.

DISCUSSION:

After the April 25 Board meeting, Peninsula Clean Energy staff informed the County that they could repay \$4.5 million of the loans provided from the General Fund by the end of December 2017. It was also discovered, upon further review of continuing **Measure K** initiatives, that approximately \$250,000 (\$500,000 over two years) was included to purchase and operate a vector airport system at San Carlos Airport. This expense can be included in the County's plan to comply with FAA regulations that require sales tax from jet fuel sales to be spent on airport operations, thereby reducing the \$3 million annual set-aside from **Measure K** for this purpose to \$2.75 million. The \$5 million from these two sources can be used at the Board's discretion.

President Horsley and Supervisor Pine developed the following proposal for the FY 2017-19 allocation of **Measure K** funds and the use of the \$5 million above. Their proposal includes the following recommendations and is summarized in Attachment 1.

- Start with Option 2 from the April 25 meeting for the FY 2017-19 allocation of **Measure K** funds which allocated \$40 million for Affordable Housing and \$5 million for SamTrans.

- Reallocate \$500,000 in **Measure K** money and add \$3.25 million from the PCE repayment for a total of \$43.75 million for FY 2017-19 for affordable housing.
- Allocate \$1.25 million from PCE to SamTrans for a total contribution of \$3.75 million in FY 2017/18. In FY 2018/19, the SamTrans allocation would return to \$2.5 million and then be \$0 in subsequent years.

Proposed Affordable Housing Plan for FY 2017-19

At the April 11, 2017 Board meeting, staff proposed the allocation of \$15 million (\$30 million over two years) in new **Measure K** funding toward affordable housing. At the April 25 meeting, staff proposed Option 2 which allocated \$20 million (\$40 million over two years) toward affordable housing. With the addition of \$3.75 million as described in the previous section and proposed by President Horsley and Supervisor Pine, this brings the total to \$43.75 million over two years, to be allocated as shown in the table below:

Program	Source	Amounts
Affordable Housing Development and Preservation Fund	Measure K	\$ 32,500,000
Affordable Housing Development and Preservation Fund	Peninsula Clean Energy (PCE) loan repayment available upon certification from Controller	\$ 3,250,000
Affordable Housing Fund Subtotal		\$ 35,750,000
Housing Endowment and Regional Trust (HEART)	Measure K	\$ 5,000,000
Tenant Assistance Programs	Measure K	\$ 1,400,000
Ongoing Programs and Staffing	Measure K	\$ 1,600,000
Total		\$ 43,750,000

Amounts in the Affordable Housing Development and Preservation Fund 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.

Staff to Bring Back Criteria for Housing Preservation Projects

Regarding housing preservation, staff recommends developing additional criteria to select such projects, including occupation of units by County clients and increased leverage of County contributions. These criteria can be brought back for approval at a future Board meeting

FISCAL IMPACT:

Attachment 1 summarizes the recommendations made in this report for FY 2017-19 **Measure K** allocation and the Affordable Housing Plan. If approved, staff will include these adjustments in the Recommended Budget and June Revisions. The FY 2017-19 Recommended Budget will be submitted to the Board on June 1, 2017. Budget hearings are scheduled for June 19 to 21.

We will continue to review the County's overall financial condition as more information is known about federal and state budget impacts, year-end fund balances, and updated capital and IT project

estimates, and recommend additional adjustments in September Revisions. The final budget hearing is scheduled for September 19, 2017.

Attachment 1 :

Summary FY 2017-19 **Measure K** and Affordable Housing Recommendations