

Memo

To: Members, Board of Supervisors
From: Rose ^{RJG}Jacobs Gibson and Rich ^{RG}Gordon
Date: 01/05/03
Re: The Housing Endowment for San Mateo County of San Mateo

RECOMMENDATION:

Accept the attached report from the Development Group for the Housing Endowment and direct the Board Sub-Committee (Supervisors Jacobs Gibson and Gordon) to work with County Counsel to develop the proposed Joint Powers Agreement.

BACKGROUND:

In February 2002, the San Mateo County Board of Supervisors indicated their desire to see a Housing Trust Fund established for San Mateo County. The Board allocated \$3 million from County reserves as "seed" money for the trust. The Board also appointed Supervisors Rose Jacobs Gibson and Richard Gordon as a sub-committee to complete the steps necessary to establish the trust.

Supervisors Jacobs Gibson and Gordon recommend that the trust be established as **The Housing Endowment for San Mateo County**.

Supervisors Jacobs Gibson and Gordon convened a Development Group with broad representation to identify strategies for governance, funding, and program for the Housing Endowment. Attached is the final report from the Development Group. It is requested that the Board of Supervisors accept this report.

The report suggests that a Joint Powers Authority be established by the County and the Cities to serve as the structure for governance of the Housing Endowment. Several of the cities that were represented on the Development Group are prepared to move forward immediately to establish the JPA. It is recommended that the County become a founding member of the JPA along with the initial group of cities. It is requested that the Board of Supervisors direct the Sub-Committee to work with County Counsel and the interested cities to form the JPA.

There is some advantage to an early formation of the JPA as the State Housing Bond (Proposition 46) passed by California voters last November provides funds (up to \$2 million maximum) for housing

trusts organized after January 1, 2003. These funds will be available on a "first come, first served" basis, so an early formation of the Housing Endowment is advantageous.

There are plans to present the Housing Endowment to the various cities over the next several months. The goal will be to have as close as possible to 100% participation. It is expected that following the initial formation of the JPA, there will be additional cities joining the JPA over the next year.

VISION ALIGNMENT:

The Housing Endowment for San Mateo County will impact the County's commitment to offer a full range of housing choices through Goal #9: "Housing exists for people at all income levels and for all generations of families." The Housing Endowment as organized as a JPA will create new partnerships, which impact our commitments to provide responsive, effective and collaborative government and to assure that leaders work together across boundaries to preserve and enhance our quality of life. Specifically impacted are Goal #20: "Government decisions are based on careful consideration of future impact, rather than temporary relief or immediate gain" and Goal #23: "Leaders throughout the County provide the impetus for broader regional solutions in land use, housing, childcare, education, health, and transportation."

FISCAL IMPACT:

There is no fiscal impact for the action requested today. The JPA document will be brought back to the Board of Supervisors for approval. At that time there is expected to be a plan for the initial administration of the Housing Endowment. Costs associated with that initial administration will be shared by the members of the JPA. Once formed, the JPA will also develop a proposal to fund the endowment from public and private sources in the amount of \$10 million per year for ten years. While the final report from the Development Group identifies possible funding sources for the Endowment, the Board is not requested to endorse any specific approach by accepting the final report.

The Housing Endowment for San Mateo County

Development Group Final Report

November 2002

Introduction/History:

In February 2002, the San Mateo County Board of Supervisors indicated their desire to see a Housing Trust Fund established for San Mateo County. A similar trust fund had been established in Santa Clara County and many other jurisdictions across the country.

As a part of the County Board of Supervisor's action in February 2002, the Board allocated \$3 Million from County reserves as "seed" money for the trust. The Board also appointed Supervisors Rose Jacobs Gibson and Richard Gordon as a sub-committee to complete the steps necessary to establish the trust.

Supervisors Jacobs Gibson and Gordon agreed that the effort in San Mateo County should be known as **The Housing Endowment for San Mateo County**. They also formed a Development Group to identify strategies for governance, funding, and program for the Housing Endowment. The Development Group met from June 2002 to November 2002 and the following is their final report.

Goal:

The Housing Endowment for San Mateo County should exist to raise and distribute funds to serve its goal of increasing the number of permanently affordable housing units in the County. Emphasis should be on housing that is permanently affordable and that meets local needs.

Summary of Recommendations:

- A Joint Powers Authority established by the County and the Cities should serve as the structure for governance of the Housing Endowment. The Board of the Endowment should reflect both public and private sector membership.
- The initial funding goal of the Endowment should be \$100 million over the first ten years. The specific tactics for accomplishing this goal should be decided by the initial governing body of the Endowment. Funding for the Housing Endowment should reflect the public/private partnership. As it relates to support from the cities and the county, a mechanism for fair and equitable participation should be established. Three fundamental considerations should be integral to the Housing Endowment: initial capitalization, long term sustainability, and leveraging of public-private partnerships.

- Funds from the Endowment should be flexibly used as a housing trust fund to create a full range of housing options. Emphasis should be on permanent housing, which meets local needs. Funds should be used for bricks and mortar activities including land acquisition and new construction. Housing should also be developed to serve those with special needs.

Governance:

A Joint Powers Authority should be established as the mechanism for conducting the business of the Housing Endowment.

The board of JPA should have a maximum of 21 members. Membership should reflect private sector representation from the following categories: labor, nonprofit developers, real estate, business, foundations, housing advocacy organizations, financial sector, faith community, school districts, the impacted population, and membership at large. Cities and the County should comprise public sector representation. The total number of Board members should be an odd number with the public sector having one more seat than the private sector.

Decisions of the JPA Board should be reached by a vote requiring one more than 50% of the total number of designated positions for membership.

The final JPA agreement should include provisions describing the responsibilities and benefits of membership.

Funding:

The initial funding goal for the Endowment should be \$100 million over the first ten years. The specific tactics for accomplishing this goal should be decided by the initial governing body of the Endowment.

The Housing Endowment should be a public/private partnership and the mechanisms for funding the endowment should reflect this principle.

As it relates to funding from the cities and the county, policies should be adopted which guarantee equitable public agency participation. In recognition that some public jurisdictions can and want to build housing (builders) and that other jurisdictions might be better poised to assist financially (bankers), mechanisms should allow for public agencies to participate differently, but equitably.

One approach for the public sector would be the establishment of a fair share cost sharing formula. This would establish a per capita dollar amount (for example, \$2 per person per year) which each government jurisdiction would be expected to contribute annually for long term sustainability. The source of such a public contribution would be up to the jurisdiction (new tax, growth on a tax, general fund, Revenue Sharing Agency set-aside, other). The Housing Endowment could establish a credit mechanism for those public agencies that make non-cash contributions.

Three fundamental considerations should be integral to the Housing Endowment: initial capitalization, long term sustainability, and leveraging of public-private partnerships. The specific tactics for each of these considerations will vary depending on the specific funding goal established for the Housing Endowment.

1. Initial Capitalization –

Initial capitalization (i.e., the first two years) is important to allow the Housing Endowment to have an immediate impact on a pressing need.

If the goal for initial capitalization is high, two tactics might be considered. The first is a bond, which would require a 2/3 affirmative vote of the electorate in San Mateo County. The second would be the issuance of debt. One possibility for securing the debt might include using the funds from the Redevelopment Agencies in the county as security. [RDA funds would serve as the security for the re-payment obligation].

If a lower goal is set for initial capitalization, other alternative tactics might be considered. One is applying for proceeds from the November statewide housing bond (assuming the measure is successfully passed). Another is to set a goal and have cities fund one-third of the goal, the county fund one-third of the goal, and to challenge the private sector to fund the final third.

2. Long Term Sustainability –

In order to have funds available over a longer period of time, tactics need to be developed which will bring a guaranteed source of income to the Endowment on an annual and ongoing basis.

A private sector tactic would be the establishment of an ongoing fund raising campaign where foundations, corporations, and private individuals can contribute at any point of the year.

Public sector tactics would be primarily related to tax mechanisms. This could be accomplished through an increase to a present tax or by a commitment to provide all or a percentage of the growth in a tax source (above current levels). Taxes to be considered would be Transient Occupancy Tax, Real Estate Property Transfer Tax, and Sales Tax. A new Parcel Tax could also be considered.

An additional public sector option would be the imposition of a commercial development linkage fee. Proceeds from such a fee established by cities and the county would be placed with the Housing Endowment. A cap on this fee could be set for jurisdictions and once they have reached this cap, their annual contribution to the Housing Endowment would be fulfilled and any additional funds from the commercial development linkage fee would be maintained by the jurisdiction collecting the fee.

3. Leveraging of Public-Private Funds –

The Housing Endowment should consider the use of incentives to encourage the leveraging of funds available to the endowment.

Program:

Funds from the Endowment should be flexibly used to create a housing trust funding a full range of housing options. Funds can be used either as loans or grants. Funds should not be used for housing assistance programs for individuals (such as first-time homebuyers' assistance or rental assistance).

Funds should be targeted to produce affordable housing at a broad spectrum of income levels. At least 60% of the funds should be targeted to make affordable housing available to households in the following income ranges:

- 30% or less of area median income
- 31% to 60% of area median income

Affordable housing should also be developed to serve those with special needs.

Funds from the Endowment should be used to provide incentives to cities to facilitate the construction of housing. An incentive program should be targeted to projects that provide enhancements including but not limited to transit orientation, childcare, and density.

Funds should be used for bricks and mortar activities including land acquisition and new construction. Funds could also be used to assist in projects which re-use existing land or property and/or provide rehabilitation of housing stock.

The Endowment should continually examine needs in order to best target expenditures for specific activities.

Conclusion/Next Steps:

It is the intention of the Development Group for the Housing Endowment that this report provide general direction to the initial governing body of the Housing Endowment, while providing that body with the flexibility to implement the Housing Endowment in a manner which best meets current and emerging needs.

This final report will be presented to the Board of Supervisors and will be made available to the various Cities, the Cities/County Association of Governments, and interested citizens and constituent groups. A delegation of city representatives working with the County will see that a Joint Powers Agreement is completed and presented to the Cities and the Board of Supervisors for approval.

This report was reviewed and accepted on November 14, 2002.

The following individuals attended one or more meetings of the Development Group for the Housing Endowment for San Mateo County.

Linda Asbury
Cassandra Benjamin
Joe Galligan
Nicholas Jellins
Mike McCulloch
Dennis Pantano
Debbi Jones Thomas

Mark Battey
Arne Croce
Ron Galatolo
Todd Kaufman
Gene Mullin
Sal Torres
Philip Williams

Duane Bay
Inge Doherty
Diane Howard
Frank Lalle
Bill Nack
Diana Reddy

Co-chairs:

Rose Jacobs Gibson

Richard Gordon

Staff:

Maureen Borland
Judy Davila
Karen Skoglund

Tom Casey
PK Diffenbaugh
Lee Thompson

Steve Cervantes
Adam Keigwin
Yiaway Yeh