County of Santa Clara

Office of the County Executive

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ATTACHMENT D

DATE: December 16, 2014

TO: Honorable Board of Supervisors

FROM: James R. Williams, Deputy County Executive

SUBJECT: Criteria for Expenditure of Affordable Housing Reserved Funds from Former Redevelopment Agencies

RECOMMENDED ACTION

Consider recommendations related to the use of former redevelopment agency funds reserved by the County for affordable housing purposes.

Possible action:

a. Accept report regarding County General Funds received from former redevelopment agencies and reserved for affordable housing purposes pursuant to Board action.

b. Approve guidelines for expenditure of the County's share of affordable housing dedicated funds.

FISCAL IMPLICATIONS

There is no impact to the General Fund because the Board reserved General Fund monies related to former redevelopment agency funds received and dedicated for affordable housing purposes during the FY 14 budget process.

REASONS FOR RECOMMENDATION

The Board of Supervisors approved a Resolution on June 17, 2013 to dedicate up to one-hundred percent (100%) of one time funds received by the County from former Low and Moderate Income Housing Funds (LMIHF) distributed pursuant to Health and Safety Code section 34179.6 based on the percentage commitment by cities within one year of the effective date of the Resolution to similarly allocate the funds they receive from such distributions. As of June 17, 2014, the Cities of Campbell, Los Gatos, Mountain View, and Santa Clara (collectively, "participating cities") dedicated a total of $6,499,617 from their former LMIHF distributions. Accordingly, the County has allocated its receipts of former LMIHF to match the allocation made by the participating cities on a percentage basis, adding $8,817,245 and bringing the total amount to $15,316,862.

Before specific proposals for the use of these funds can be determined, Administration is recommending that the Board adopt criteria for the use of the *County's* share. (Participating cities would remain free to determine the specific use of their reserved funds.) Once adopted, staff will work with the participating cities to try to identify mutually beneficial projects to fund.

Administration recommends that the Board adopt the following criteria for the expenditure of these dedicated funds: To prioritize support for essential services for its most vulnerable populations, the County allocates its share of the dedicated funds to extremely low-income (ELI) and special needs populations. Special needs populations are defined as at-risk youth, chronically homeless, homeless, victims of domestic violence, farmworkers, persons with disabling conditions, mentally ill, seniors, and those individuals re-entering the community from the criminal justice system.

CHILD IMPACT

The recommended action will have a positive impact on children and youth by supporting affordable housing projects and programs targeted at the greatest need populations, including at-risk youth.

SENIOR IMPACT

The recommended action will have a positive impact on seniors by supporting affordable housing projects and programs targeted at the greatest need populations, including seniors.

SUSTAINABILITY IMPLICATIONS

The recommended action will have positive sustainability implications by supporting affordable housing projects and programs targeted at populations such as the homeless that, when housed, may reduce negative environmental impacts.

BACKGROUND

Prior to enactment of ABX1 26 (Redevelopment Dissolution Law), the Community Redevelopment Law required redevelopment agencies (RDAs) to set aside 20% of tax increment for low and moderate income housing purposes. This funding was a critical resource for affordable housing. As of June 28, 2011, no further tax money could be placed into RDAs' low and moderate income housing funds. Although the Dissolution Law has numerous provisions that specially treat housing assets, including allowing cities to retain non-cash housing assets (such as property, loan portfolios, and incoming revenue streams), the loss of incoming property tax is still significant.

The Dissolution Law provides for the distribution of unencumbered funds to taxing entities, including counties and cities. One of the most substantial distributions to the County is the one-time money from all unencumbered cash balances of former RDAs' Low and Moderate Income Housing Funds (*i.e.* cash that was not contractually committed to a third party before June 28, 2011).

In addition, the largest source of revenue will, over time, be the distributions of "residual" from the Redevelopment Property Tax Trust Funds (RPTTFs). These amounts represent the property taxes not needed for the payment of pre-existing debt of the former RDAs. Over time, as debts are extinguished and property taxes grow, these revenues will increase. Hence, this category represents ongoing revenue.

At the June 17, 2013 Board of Supervisors meeting, the Board allocated up to one-hundred percent (100%) one-time funds received by the County from former Low and Moderate Income Housing Funds ("unencumbered housing funds") to affordable housing purposes based on the percentage commitment by cities to similarly dedicate their funds. The Board similarly committed up to 20% of the residual receipts from RPTTFs in amounts above those received in FY 13. To incentivize joint participation and to leverage resources so that a meaningful amount of money is actually dedicated towards affordable housing, the adopted Resolution dedicates these funds provided that the cities adopt similar policies dedicating their unencumbered housing funds and residual revenues.

As of June 17, 2014, the deadline for cities to commit their one-time unencumbered housing funds to affordable housing purposes, the total amount committed by participating cities is $6,499,617. As a result, the total amount committed by the County to match the amount of the participating cities on a percentage basis is $8,817,245. (The County match is larger than the cities' shares because the County typically has a slightly larger percentage share of property tax.) The total amount jointly committed by the County and the participating cities is $15,316,862.

Ongoing funds are not included in the table below, because they are subject to annual appropriations, but the proposed guidelines would apply equally to those funds.

Total One-Time Funds Committed

	City Commitment	Match from County	Percent (%) Set Aside	Date of City Commitment
Campbell	$250,000	$347,938	39.82%	June 17, 2014
Los Gatos	$237,000	$307,763	40.80%	June 2, 2014
Mountain View	$186,617	$186,617	100%	June 17, 2014
Santa Clara	$5,826,000	$7,974,927	100%	June 10, 2014
TOTAL	**$6,499,617**	**$8,817,245**		

CONSEQUENCES OF NEGATIVE ACTION

Staff will be unable to meaningfully work towards proposed expenditures for the allocated funds until the Board approves expenditure criteria.

STEPS FOLLOWING APPROVAL

County staff will work with the participating cities on proposals for the expenditure of the reserved funds, consistent with the Board-approved guidelines. As required by law and/or Board Policy, specific expenditures and appropriations will come before the Board for approval.