



**County of Santa Cruz Board of Supervisors
Agenda Item Submittal**

From: Planning: Housing
(831) 454-2580

Meeting Date: February 27, 2018

Recommended Action(s):

1. Accept and file report;
2. Authorize the Planning Director to negotiate and the County Administrative Officer to execute an Agreement with Monterey Bay Housing Trust utilizing \$200,000 previously allocated through the Housing Services contract with the Housing Authority of the County of Santa Cruz.

Executive Summary

The Board requested that County staff analyze the advantages and disadvantages of two different options for funding a contribution to the Monterey Bay Housing Trust (MBHT). One option was utilizing previously allocated funding of \$200,000 through the Housing Services Contract with Housing Authority of the County of Santa Cruz. The second option was using Affordable Housing Impact Fees available through the Measure J Trust Fund. Staff is recommending using the funding available through the Housing Services contract.

Background

The Monterey Bay Housing Trust (MBHT) is a revolving loan fund sponsored by the Monterey Bay Economic Partnership (MBEP) and Housing Trust Silicon Valley with the goal of increasing the supply of affordable housing for low-income households. MBHT loans can finance acquisition, predevelopment or construction of affordable housing in the Monterey Bay Region, including Santa Cruz, Monterey and San Benito counties. The fund is intended to raise public and private funds and leverage them on a 4:1 ratio with funding through a partnership with Housing Trust Silicon Valley (HTSV).

In June of 2017 the Board of Supervisors included \$200,000 for the Monterey Bay Housing Trust through the Housing Services Contract with Housing Authority of the County of Santa Cruz. Funding in this contract is through former redevelopment funds. Though discussions were underway regarding an agreement for use of these funds, in October 2017, the Board of Supervisors directed staff to consider the advantages and disadvantages of using Affordable Housing Impact Fees available through the Measure J Trust Fund as an alternate source of providing county funding to the MBHT.

Analysis

Funding Availability

Currently, aside from the \$200,000 already allocated to the MBHT under the Housing Services contract, there is approximately \$3.4 million remaining to be allocated to future

affordable housing projects and programs under that contract. Alternatively, the current balance of the county's Measure J Trust Fund is \$686,000, with an additional projected \$900,000 in AHIF revenue expected during 2018 as homes in the Cypress View and Seaview Estates projects sell and as other development projects are built throughout the County, for a total of about \$1.6 Million available during 2018.

AHIF funds are currently targeted to be the funding source for the county's Accessory Dwelling Unit (ADU) Loan Program (the ADU Forgivable Loan Program is not eligible for the former redevelopment funding source), as well as future workforce housing projects consistent with the Guiding Principles for use of AHIF adopted by the Board in 2015.

Funding Restrictions

Funding the County's contribution to MBHT using the redevelopment funds that have been allocated under the Housing Services contract requires that the County ensure that legal obligations under the California Health and Safety Code Section 24 will be met. These requirements include ensuring that any projects funded are consistent with redevelopment law, including that funds are used for eligible projects, are located within the unincorporated County, that projects target low and moderate income households and meet housing affordability and term of affordability thresholds, among other requirements. These requirements generally match the stated goals of the MBHT and the funds appear to be an appropriate source for County participation in the MBHT. There are two projects in the unincorporated County currently in the pipeline that may be appropriate for MBHT funding and which are expected to be implemented consistent with redevelopment law: the Habitat for Humanity project on Harper Street and the MidPen Housing mixed use project currently in the feasibility phase on 17th and Capitola Road. Staff has met with the Monterey Bay Economic Partnership and there is agreement about using the funds available through the Housing Services contract, and ensuring that requirements pertaining to use of former redevelopment funds are met. Prior to contracting with the MBHT, an agreement with the Housing Authority will need to be reached.

The added flexibility of the locally funded Measure J Trust Fund makes it the better candidate for other housing initiatives prioritized by the Board of Supervisors that are ineligible for the redevelopment funds, including but not limited to the ADU Forgivable Loan Program as well as Habitat for Humanity's "My House My Home" program. Neither of these ADU programs can use the redevelopment funds because the minimum term of affordability of forty five years is not practical for those programs. In addition, the AHIF was developed, in part, to help support administration of the Measure J Program and to the extent funds become less available or are not available for that purpose, that function will require additional County General Funds to be maintained.

Conclusion

While it is possible that funding for the Monterey Bay Housing Trust could alternatively be provided using Affordable Housing Impact Fees (AHIF) from the Measure J Trust Fund, staff prefers utilizing the redevelopment funds for several reasons. First, the greater availability of funds at this time under the Housing Authority Housing Services contract, and the fact that funds have already been allocated for this purpose through that mechanism. And secondarily, staff believes it is important to maintain the flexibility of the AHIF funding for other housing initiatives prioritized by the Board, which would be

ineligible for the redevelopment funds.

Financial Impact

The Monterey Bay Housing Trust will receive \$200,000 of redevelopment bond funding through the Housing Services Contract with the Housing Authority of the County of Santa Cruz as previously approved by the Board. The Housing Services Contract was approved in the fiscal year 17-18 budget.

Submitted by:

Kathleen Molloy Previsich, Planning Director

Recommended by:

Carlos J. Palacios, County Administrative Officer