

**COUNTY OF SANTA CLARA
OFFICE OF AFFORDABLE HOUSING**

**RECOMMENDATIONS
NOVEMBER 12, 2002**

PRESENTED BY:



THE ENTERPRISE FOUNDATION

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SCOPE OF WORK

The County of Santa Clara requested assistance with implementation of recommendations made by the Housing Task Force (HTF). These recommendations included:

- Consolidation of three departments into one Office of Affordable Housing (OAH)
- Developing a plan for county-wide participation of cities in the OAH and a new County Housing Commission
- Working with county agencies (including the Housing Authority and Housing Trust) to participate and work with the OAH.

The purpose of the OAH is to strategically coordinate and potentially enhance existing county housing services and to seek opportunities for the county to contribute resources to the creation of more affordable housing units using funding sources such as HOME. The Task Force recommended special attention to the development of special needs housing.

The technical assistance was divided into two phases. The first phase of the work is presented in this document. In phase two The Enterprise Foundation will assist the OAH in addressing the recommendation to establish a County Housing Commission, development of a plan for regional housing advocacy, development of a Land Bank and identification of ongoing sources of local public revenue to support housing development to leverage programs such as HOME. Under both phases an assumption is made that the county would be able to use the 30% Redevelopment Agreement settlement funds for the OAH and support for housing development.

TASKS UNDER PHASE ONE

1) Develop a plan to consolidate three departments – HCD, Housing Bonds/MCC and Homeless Services into the new OAH. The original goals of the OAH set forth by the task force were to:

- Play a more visible role in the affordable housing arena
- Expand the number of housing units that are produced in the county
- Assess possible surplus properties in the county that could be used for affordable housing development
- Centralize and coordinate housing services to special needs populations
- Develop a single coordinating or advisory committee to replace the committees now used by the three independent departments
- Target affordable housing development funds more effectively

The process included:

- Evaluating the functions of each department
- Interviewing all current staff members to determine opportunities for consolidation/coordination
- Assessing the needs of the combined departments
- Identifying overlapping functions among the three departments
- Developing a plan for resulting OAH structure
- Developing an implementation plan for the consolidation

Key to the success of the new OAH in meeting its stated goals is the participation of cities and other county agencies in the development of the specific goals of the OAH. At the same time Enterprise Foundation staff were working on the above plan, staff were interviewed from the 15 cities, nonprofits, for profits, elected officials, and county agencies to assess their needs and gain support/buy-in (see Attachment A for complete list of interviewees). From these interviews a formal structure was developed for implementing the OAH and longer-term participation of these entities with the OAH.

2) Make recommendations on how the 30% RDA settlement funds would be used to support the development of affordable housing.

SUMMARY OF RECOMMENDATIONS

First of all, many thanks to the county staff for being very open and receptive to this process. All staff participated in the interviews and they were very honest and forthcoming about what was working and made excellent suggestions for potential changes. Many positive comments were heard from the cities, nonprofits and other agencies about county staff.

Each of these recommendations are related to the goal of creating an Office of Affordable Housing that is responsive, creative, coordinated and "deal making" oriented. When talking with staff, other agencies and people in the community there were several key messages. These included a lack of communication and coordination between departments, a slow cumbersome process and a lack of entrepreneurial spirit among some areas. In addition, a lack of leadership on behalf of the county in the area of affordable housing was identified by a majority of those interviewed.

This report starts with the re-organization of the department and then lists the specific changes and positions with detailed rationale.

- Reorganize the office into functional areas. As shown in Attachment B, there is a recommendation that the new Office of Affordable Housing be organized by function. These functions would include Office Manager/Administrative Support, Finance/Accounting, Homeless Concerns and Housing & Community Development. In addition an analyst position would be added to support the work of the new Director. Details for each area/recommendation are included in the bullet points to follow.

Office Manager/Administrative Support - This area will include a new Office Manager and all of the administrative support staff for the OAH. The Office Manager will coordinate and direct support to the various departments. In addition, the Manager will take back the Office Manager Coordinator (OMC) functions that were distributed to various staff when the old OMC position was not filled.

Finance/Accounting - All of the finance/accounting functions would be centralized into one area for the entire OAH. This area would also expand the types of management reports provided to the various departments.

Homeless Concerns - There would be no changes to this area. Homeless Concerns would continue to provide operating support for supportive housing and homeless programs.

Housing & Community Development - All of the programs that provide funding and support for affordable housing development would be under the Housing & Community Development umbrella. This includes MCC/Bonds and the Housing Trust Fund (HTF) of Santa Clara County contractor Loan Position.

The goal of bringing all of the development programs/resources together is to improve coordination and foster an environment more focused on the creation of affordable housing and deal making.

- Create an OAH Strategic Plan. Having stakeholders (including staff) come together and create a strategic plan based on the final blueprint for the OAH will help to make sure OAH overall goals will be met. In addition, creating a plan together will help each person take ownership of the new office. Once that strategic plan has been approved, each person in the office should set specific yearly goals for themselves with their manager/supervisor, linked to the OAH goals. Staff then have a better understanding and commitment to the new plan for the OAH and their role in making the goals of the OAH a reality. This plan should be spearheaded by the Board of Supervisors in conjunction with key stakeholders (such as those interviewed for this report). This plan should provide guidance for the type of activities the OAH should undertake and give specific housing goals for each year. These goals should include targets for the number and type of units to be developed. The plan should also include performance benchmarks for all activities of the OAH. Creating an outcome based strategic plan will be a key to the success of the new office, both internally and externally. External audiences have an expectation that there will be tangible changes and results as a result of the new OAH.
- Focus on outcomes. Internal and external sources feel that both H&CD and Homeless Concerns could operate more strategically rather than in a reactive mode. Staff have a number of activities that are mandated and therefore are forced to spend much of their time meeting deadlines and preparing reports. Creating a strategic plan will help focus the efforts of these departments. However working with staff to focus efforts on strategic outcomes in all parts of their jobs will be key to implementing the strategic plan. This includes working with boards and committees, staff and outside parties. For example, when working with an advisory board, staff should determine how the effort of the committee is linked to the strategic goals and develop agendas and a workplan that directly relates to the strategic plan.
- Director, OAH - The Visionary. The Director should be a person who focuses on housing policy, creates and moves forward a legislative agenda and coordinates affordable housing development throughout the county (see recommendations from external audiences). This person should have a strong management team that is focused on the operational delivery of programs and funds. This will allow the Director to focus on policy and legislation. This position should have high visibility inside the county and therefore should report to the County Executive or be a part of the senior management team. External audiences and staff felt that the director should have some very specific qualities. These include an extensive knowledge of affordable housing development, legislative knowledge and skills, an orientation towards policy development, connections in the development communities, public speaking skills, entrepreneurial leadership skills, political clout and consensus building skills.

- Housing Development Manager- The Deal Maker. Critical to the success of the new office would be this position. This was a message heard from external/internal parties and county staff. While the Director would focus on policy and legislative issues, the OAH needs someone out there helping to broker deals and putting actual numbers to policy goals. In addition, affordable housing developers need to have one person they can come to at the county who knows the players, the programs and the financial resources that are available. This person would structure deals and then, more importantly, make sure that there is follow through by the county in a timely manner. By placing all of the development departments under this person - they are empowered with the "purse strings" of the organization. A key element of making this person successful will be to delegate authority to the Office of Affordable Housing to make commitments on deals. This will require the support of the Board of Supervisors in the form of consistent political support of the department decisions or some type of delegated authority. Our recommendation is that the Board of Supervisors set specific strategic goals for the department each year and empower the staff to implement these goals.
- Office Manager Position. An organized office manager could help a great deal with the efficient running of the OAH. Specific duties would include managing the workload of the administrative staff, taking back the duties that were associated with the former office management coordinator, supporting the efforts of the H&CD Manager and provide support to the OAH Director. Additional staff added to the OAH will create additional administrative work. When asked about additional assistance or ways to improve efficiency, many of the program and accounting staff indicated that they have a significant backlog of filing and could use help developing improved systems. This position would be key in creating organized filing systems and their on-going management. The manager would also serve as a strong voice for the administrative staff.
- Pool the Administrative Staff. In conjunction with filling the Office Manager position, administrative staff would be pooled together in one department. With the consolidation of the various departments, it makes sense to have a pool of staff that can be drawn from when there are "crunch" times in all areas. In addition, there will be increased administrative support from the new positions and the work of the Director. The administrative staff would continue to have primary responsibilities to the areas they work with now, but they would be directly supervised and the workload would be coordinated through the Office Manager.
- Hire a Policy Analyst. The Director will need extensive support if he/she is going to take a leadership role in the county. This person can also provide support to the various boards and commissions. The duties of this position would include creating a set of common "truths" about the affordable housing needs in the county. Almost all of the external interviews indicated that there needs to be one place where they can turn to get data and statistics on the affordable housing need in the county that everyone agrees with. In addition, as legislative agendas are moved forward there will be a need for research and analysis.

- Move the accounting/finance area out of H&CD. As this area supports the other programs as well, it is appropriate to move this out of H&CD and have the accountant report directly to the OAH Director. There are opportunities for increased use of the accountant with regard to creating management reports for OAH staff. There would be a potential for better use of the skills of the staff in this area. Our recommendation to make H&CD focused on housing development deals also support this change. The H&CD Director should not be focused on other functional areas such as accounting or administrative support.
- Move MCC/Bonds under H&CD. Again, the primary reason for this change is to coordinate housing development in one department. There was a concern from external audiences that there was a lack of communication and coordination between MCC and H&CD. These two areas directly support affordable housing development through funding. By placing these areas together additional coordination will occur. In addition, by working more closely together shared goals can be developed under the strategic planning process.
- Hire One Additional Person in H&CD. There is a need for additional resources in the H&CD area, especially in the HOME program. A recent HUD audit identified the need to improve systems, tracking and monitoring of projects. The basic underlying need comes in three areas. First, as the number of projects increases, the monitoring and compliance needs of those projects grows as well. Each year more and more projects are added to the list that needs to be monitored. The second area is the ability of staff to think creatively in their jobs. If staff are overwhelmed with their current workload – they will not have time to take on additional projects or to come up with creative solutions for improving efficiency. Finally, the recommendation to increase the amount of PR the OAH does will increase the workload of an already busy staff. If the additional funds are targeted to this area for funding special needs housing, this work should be added to this position.
- Consolidate Loan Functions. There is an opportunity to bring together the loan function that is currently contracted with the HTF of Santa Clara County and the loan function in the rehab area. The HTF has set up an extensive database to process loans. By having a position that takes on management of the loan processing for the HTF and the Rehab Program there will be an opportunity to standardize loan programs and documents. During our interviews, many staff expressed the need for a database system that would serve all of the housing development areas. There is a potential to leverage off the existing database for the HTF and develop a larger system for the entire office. The new position is listed as Loan Supervisor on the organizational chart. Hopefully funds could be transferred somehow from the HTF of Santa Clara County to pay for the majority of this position.
- Focus on Special Needs Housing. The Task Force report and both internal and external audiences voiced a need for more funding and coordination for housing for special needs populations. Housing for special needs populations are currently incidental to existing programs with some special needs housing being funded or coordinated by other departments within the county. The new OAH should take a

more strategic approach to funding special needs housing (*see funding recommendations section*).

- Increase the level of PR and training. With the added roles of the OAH – one very important piece is outreach to the community. This includes providing training and technical assistance to grant recipients and housing developers, as well as education county staff, political leaders and the public about the programs offered by the OAH. Housing fairs, training classes, speeches at various groups and organizations will all be required to meet this goal. Public relations and training should be included in the strategic plan for the new OAH.
- Boards and Commissions. One of the requested tasks was to analyze the various boards and commissions that county staff support. There are a great number of these boards and the thought was that there might be some overlap among these entities which would allow for consolidation. This was started in September and we realized that because of the number of boards, the task was greater than time would allow for inclusion in this report. Therefore this topics will be addressed in the coming months and a detailed analysis provided early in 2003.

USE OF THE ADDITIONAL FUNDS

Assuming the newly formed Santa Clara Office of Affordable Housing has an additional \$6 million in funding per year for three (3) years - the following are recommendations about how those funds should be allocated:

\$300,000 - \$350,000 in salaries for new positions including

- Director of the Office of Affordable Housing
- Housing Development Manger
- Office Manager
- Policy Analyst
- Management Analyst (in H&CD)

The remaining \$5.65 - \$5.70 million should be allocated as follows:

<u>Special Needs Housing Fund</u>	\$4 million per year (estimate)
<u>Pre-Development Fund</u>	\$250,000 per year (estimate)
<u>Land Acquisition Fund</u>	\$1.5 million per year (estimate)

These programs are described in greater detail below:

SPECIAL NEEDS HOUSING FUND (\$4 MILLION/YEAR)

The County of Santa Clara currently provides funding, case management and supportive services to over 4,300 special needs clients throughout the county annually. According to the County's Supportive Housing Initiative Report, *"agencies are bearing a significant and increasing burden because there are never enough beds or units to meet the need. Front line managers and case managers are spending more of their days trying to find housing for clients. Housing that is available is more costly both to the county and the clients, meaning more service dollars and client dollars are being used for housing rather than on services. The Continuum of Care strategy of the county for serving special needs populations is in danger of collapsing as more dollars are spent on fewer units and consequently less service."*

In an effort to create more units of permanently affordable housing for special needs populations, Santa Clara County should establish a Special Needs Housing Fund. These funds should be used for a variety of types of special needs housing including group homes and set-aside units for special needs populations in other affordable housing projects serving both special needs populations and low-, very low- and moderate-income individuals and families.

The Special Needs Housing Fund would provide a per unit subsidy based on # of bedrooms. The per unit subsidy should be determined by an analysis of the amount needed for projects of this type. For example the subsidy for units receiving funding from the Special Needs Housing Fund could be as follows:

0 bedroom	\$70,000	1-bedroom	\$80,000
2+ bedroom	\$95,000	Group Home 4+ bedroom	\$250,000

Based on the above-suggested subsidy Santa Clara County could support the development of 45 additional permanently affordable Special Needs housing units per year as follows:

14 studio/SRO/eff	@ \$70,000 each	\$ 980,000
13 1 bedroom units	@ \$80,000 each	\$1,040,000
10 2+ bedroom units	@\$95,000 each	\$ 950,000
4 Group homes	@\$250,000 each	\$1,000,000

The Special Needs Housing Fund will provide equity-like capital to projects and should be designed to leverage federal and non-federal resources. The county should require that the project sponsor secure a match, the amount of the required match should be determined through an analysis of typical subsidy needed to insure that the housing is affordable to the special needs tenant. In order to meet the operational goal of streamlining processes, developers could apply for funding from the Special Needs Housing Fund by completing a 1 – 2 page addendum to any existing County of Santa Clara application process including but not limited to application for HOME funds, CDBG and ESG. Applicants not using any other Santa Clara County housing funding, for example if Special Needs Housing Funds are being requested for a HUD Section 811 (Supportive Housing for Persons with Disabilities) project, the applicant could use the addendum along with the County HOME Program application.

The Special Needs Housing Funds will be made available to a project that has all funding commitments in place in the form of a long term loan that can be subordinated by all other project funding. The loan will be structured to have repayment of 75% of residual cash flows after expenses and debt service. The loan can remain in effect throughout the period where the property is maintained as affordable and targeted to the special needs population originally intended at the time the property is put into service.

PRE-DEVELOPMENT FUND (\$250,000 PER YEAR)

Recognizing that the affordable housing development process begins long before blueprints are approved, loan applications are filed or ground is broken, the Santa Clara County Office of Affordable Housing will establish a Pre-Development Fund. Securing funding for pre-development costs is extremely difficult the result of which is that potentially viable projects often take years to navigate through the pre-development phase because of the costs of getting the project to the point where resources are made available. To foster a climate that supports an entrepreneurial approach to affordable housing development the Pre-Development Fund will address the need for these types of resources and ultimately generate additional units of affordable housing throughout the county. Additionally by linking the Pre-Development Fund to strategic planning efforts of the Office of Affordable Housing, the County of Santa Clara can establish priorities both geographic and for certain types of housing and use the Pre-Development Fund to encourage the type of development for which the county has established specific priorities.

The Pre-Development Fund will be structured as a revolving loan fund providing seed money of up to \$50,000 per year to fund pre-development costs for eligible activities including, but not limited to:

- Land options or escrow accounts related to real estate transactions
- Professional fees including legal, permitting, engineering, environmental studies, appraisals, and loan/grant application packaging
- Salaries for staff time used exclusively for the project development
- Other uses as approved by the Santa Clara County Office of Affordable Housing.

The Pre-Development Fund awards will be structured as recoverable grants that must be repaid by the housing developer within 60 days of receiving construction or permanent financing for the project. If the project is unable to obtain construction or permanent financing within two years, the grant may be forgiven as determined on a case-by-case basis by the Office of Affordable Housing. All awards returned to the Pre-Development Fund will become part of the pool of funds available for future grants.

LAND ACQUISITION FUND (\$1.5 MILLION/YEAR)

One of the primary barriers to developing affordable housing in Santa Clara County is the lack of developable land. Furthermore, despite the downturn in the economy, the housing market in Santa Clara County remains healthy, meaning competition for available land continues to drive developers of affordable housing out of the market, in part because they are unable to move quickly to secure parcels of land that do become available. In establishing a Land Acquisition Fund, Santa Clara County is creating a tool that will enable affordable housing developers to overcome this particular barrier.

The Land Acquisition Fund will provide funds to eligible developers for the acquisition of land for affordable housing development. The county should make the Land Acquisition Funds available with no specific funding cycle. Developers could apply for funds whenever funding is available; enabling developers to move quickly on land acquisition.

The Land Acquisition Fund will be structured as a revolving loan fund providing up to 85% of acquisition costs for land for eligible, affordable housing projects. Funds will be provided to the developer as a 1-year loan, with the ability to extend for up to two (2) additional 1-year periods. The loan will have a 3% interest rate, deferred, and will include a shared equity provision. The shared equity provision will be structured such that once the project is developed, Santa Clara County's equity share will be waived. If, however, the project does not move forward and the land is sold, Santa Clara County will realize a full equity share of the sales price of the land. *(For example, if 100% of the land costs of \$500,000 are funded with county funds and the land is sold for \$600,000, the county receives the entire \$600,000. If only 50% of the land costs of \$500,000 are funded with county funds, the county will receive the original \$250,000 and ½ of the appreciation, or a total of \$300,000.)*

When the Land Acquisition Funds are repaid they become available for new land acquisitions for eligible projects. By designating \$1.5 million per year for three years the fund will grow to more than \$4,500,000 (once interest and shared equity are included). With short-term repayment of 1 to 3 years, the Land Acquisition Fund should be self-sustaining by year three.

IMPLEMENTATION PLAN

Given that the resources for this changes may come in to the department over a period of time, we developed what we feel is the best strategy for implementing our recommendations. Items are listed in chronological order.

TIMELINE	STAFF HIRES	STAFF CHANGES	PLANS/PROGRAMS
YEAR 1		Physically move all staff into one area	
	OAH Director		
	Office Manager	Change reporting for MCC/Bond and Loan Supervisor	Create Strategic OAH Strategic Plan
	Housing Development Deal Maker (contract person)		Develop Special Needs Housing Fund
YEAR 2	Policy Analyst		
	Housing Development Management Analyst		Develop Land Acquisition Fund
YEAR 3			Develop Pre-Development Fund

ATTACHMENT A
INTERVIEWS COMPLETED

County of Santa Clara Board of Supervisors

Supervisor James T. Beall, Jr.

Supervisor Pete McHugh

Supervisor Donald F. Gage

Javier Aguirre for Supervisor Blanca Alvarado

City Housing and Administrative Staff

City of Palo Alto, Cathy Siegel

City of Campbell, Sharon Teeter, Bernard Strojny

City of Cupertino, Dave Knapp, Vera Gil, Dolly Sandoval

City of Gilroy, Jay Baksa, Marilyn Roaf

City of Los Altos Hills, Carl Cahill

City of Los Gatos

City of Milpitas, Felix Reliford, Gloria Anaya

City of Monte Sereno

City of Mountain View, Linda Lauzze, Adriane Garafalos

City of San Jose Leslye Corsiglia, Norberto Duenas, Vivian Frelix-Hart

City of Santa Clara, Jeffrey B. Pedersen, Geoffrey Goodfellow

City of Saratoga, Tom Sullivan, Lata Vasudevan

Non Profit and For Profit Affordable Housing Providers and Advocates

Builder, Barry Swenson

Affordable Housing Network of Santa Clara County, Phyllis Ward, Ron Johnson, Saul Wachter

Charities Housing, Chris Block

Community Housing Developers, Ron Morgan, Bonnie Bamburg

Cupertino Community Services, Jaclyn Fabre

Emergency Housing Consortium, Emergency Housing Consortium

Housing Choices Coalition, Kris McCann

Housing for Independent People, Kristi Kesel

Mid-Peninsula Housing Coalition, Fran Wagstaff

Palo Alto Housing Corp., Marlene Prendergast

Self Help for the Elderly of Santa Clara County, Alison Tam, Helen Yen

Silicon Valley Manufacturing Group, Laura Stuchinsky, Shiloh Ballard

Working Partnerships USA, Bob Brownstein

Bridge Housing Corporation, Isaac Henderson, Kristy Wong

South County Housing, Dennis Lawler

Housing Trust Fund, Paul Wysocki,
Housing Authority of Santa Clara County, Alex Sanchez,

County Agency Staff (Housing and non-housing)

Assessor, Larry Stone,
Santa Clara Valley Health and Hospital System, Robert Sillen and Janette Murphy
Social Services Agency, Frank Motta,

Jane Decker
Susan Phillips
Margaret Gregg
Joe Zenk
Lynn Terzian
Brandi Hoffman
Charlie Chew
Bill McWood
Judy Borah
Anglea McCormick
Neena Battalones
Chrissy Field
Wendy Garcia
Thuy Huynh
Robert Rathbun
Tracy Cunningham

ATTACHMENT B

