

March 9, 2021

Chair Lawrence Stone and Members of the Measure A
Independent Citizens' Oversight Committee
County of Santa Clara
70 W. Hedding Street
10th Floor, East Wing
San Jose, CA 95110

Subject: Independent Advisor's Quarterly Report

Dear Chair Stone and Members of the Measure A Independent Citizens' Oversight Committee:

Attached are the following deliverables for your review prepared by Macias Gini & O'Connell LLP (MGO) for the Oversight Committee's March 18, 2021 meeting:

- Independent Advisor's Quarterly Report, Second Quarter Fiscal Year 2020-21
- Draft Performance Dashboard/Website Snapshot
- Transmittal Letter to the Board of Supervisors – DRAFT
- Financial Audit Report, Fiscal Year 2019-20

If you have any questions regarding these attachments, please feel free to contact me at 925.395.2808 or dbullock@mgocpa.com.

Sincerely,



David Bullock, CPA
Partner
Macias Gini & O'Connell LLP

County of Santa Clara

Citizen's Oversight Committee's Measure A 2016
Affordable Housing Bond Program

Independent Advisor's Quarterly Report –
Second Quarter Fiscal Year 2020-2021

March 18, 2021



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Public
Accountants

**Citizens' Oversight Committee
County of Santa Clara Measure A 2016 Affordable Housing Bond Program
Independent Advisor's Quarterly Report – Second Quarter FY 2020 - 2021**

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EXECUTIVE SUMMARY

This report provides an update on the activity regarding the County of Santa Clara Measure A 2016 Affordable Housing Bond Program (Program) and to its Citizens' Oversight Committee (Committee) for the second quarter of Fiscal Year (FY) 2020-2021, from October 1, 2020 through December 31, 2020.

The Program, approved by Santa Clara County voters in 2016, authorizes the issuance of up to \$950 million in general obligation bonds for the acquisition or improvement of real property in order to provide affordable local housing for vulnerable populations within Santa Clara County. The Program issued the first series of bonds for \$250 million in October 2017.

Message to the Board of Supervisors

The Program has not been effective in accomplishing its mission of providing affordable local housing for vulnerable populations within Santa Clara County due to the slowness in which it has delivered new affordable housing units. While the Program has committed \$499.35 million to 40 different housing projects as of December 31, 2020, it has only completed four development projects and one renovation project delivering 214 affordable housing units to date.

There are a number of issues that have contributed to the Program's delay in providing affordable housing units, such as the following:

1. Projects experienced delays in obtaining land use approval due to ineffective processes at the cities granting land use approval. As of December 31, 2020:
 - a. 12 of the 24 development projects experienced delays in obtaining land use approval ranging from one month to over two years.
 - b. 3 of the 12 delayed development projects (Bascom Apartments, Kifer Senior Apartments, and La Avenida Apartments) were still in the land use approval phase, missed their initial goals to obtain land use approval, and continued to experience delays in obtaining land use approval.
2. Projects experienced delays in securing all financing. As of December 31, 2020:
 - a. 15 of the 27 development and renovation projects experienced delays in securing all financing ranging from one month to over two years.
 - b. 4 of the 15 delayed projects (Calabazas Apartments, Vela Apartments, Gallup & Mesa, and Algarve Apartments) were caused by delays in land use approval.
 - c. An additional impediment to securing all financing is that the projects are no longer being awarded the "four percent tax credit" (tax credit), which is not automatically awarded to affordable housing projects. Due to the high cost of development in Santa Clara County, the Program's projects are not competitive statewide, which is affecting the scoring and awarding of the tax credits. For example, Sango Court and West San Carlos had submitted applications for tax credits 3 and 4 times, respectively.
3. Projects experienced delays in construction start and completion due to delays in securing all financing. As of December 31, 2020:
 - a. 17 of the 27 development and renovation projects experienced delays in construction start and completion.
 - b. 12 of those 17 delayed projects were caused by delays in securing all financing.
 - c. COVID-19 and multiple shelter-in-place orders have caused delays for projects, especially projects in construction or starting construction due to supply-chain issues and labor challenges due to social distancing requirements.

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The County's Office of Supportive Housing foresees the delays affecting the Program's ability to provide affordable housing timely, which could increase the cost of construction, but does not expect the delays to affect the Program's ability to meet its goals.

In addition to the delays in delivering units, the Committee is concerned with the following aspects of the Program:

1. The Program's pilot strategy of providing affordable housing through the acquisition of 5 single-family homes. Prior to these acquisitions in the second quarter of FY 2020-21, the Program had been focused on providing affordable housing through multi-family housing, such as apartment buildings. The Committee is concerned that the pilot strategy provides a very small number of units, which does not effectively increase the available number of affordable housing units. Also, the pilot strategy negatively affects the Measure A leveraging ratio as the projects are 100 percent Program funded; and the pilot strategy could be potentially costly if the units need to be renovated to bring them up to housing code.
2. The low rate in which rapid rehousing units are being developed, as shown in Section 2.4 Exhibit 7. The overall Program goal for rapid rehousing is 1,600 units. However, only 81 units or 5.06 percent of the goal have been approved by the County Board of Supervisors. **Of the Program's total remaining units to be constructed, more than half will need to be rapid rehousing units in order for the Program to achieve its goal of 1,600 rapid rehousing units.**
3. The lack of a more evenly or diverse geographic distribution of the Program's projects. The Program's current 40 housing projects are located within eight cities in the County, and 29 of the 40 projects are located in the City of San Jose.
4. The effectiveness of the First-Time Homebuyer Assistance Program (Empower Homebuyers), as shown in Section 3.1 Exhibits 9 and 10. Empower Homebuyers continues to have a low number of applications that make it from pre-screening (i.e., intake applications) to the successful funding of a new loan (i.e., closed). The Committee is aware that the County is considering program improvements and endorses improvements being made to the pre-screening process.
5. The rising estimated cost share per unit and the declining leverage ratio, as illustrated in Exhibit 5 of Section 2.3.2. The Committee is concerned that at the current rate of spending per unit, the Program will be unable to meet its goal of providing 4,800 units with the \$950 million in bond funds authorized to be issued.

The Committee recognizes that some of the issues discussed above are outside the control of the County. The Committee would like to thank the County's Office of Supportive Housing for their hard work and dedication to providing affordable housing in the County.

**Citizens' Oversight Committee
County of Santa Clara Measure A 2016 Affordable Housing Bond Program
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Bond Proceeds

During the second quarter of FY 2020-21, the Program's bond activity was as follows:

| | |
|------------------------------|----------------------|
| Balance at October 1, 2020 | \$ 110,927,504 |
| Revenue: | |
| Interest earnings | 451,084 |
| Fees and other charges | 25,077 |
| Spending during the quarter | <u>(64,734,307)</u> |
| Net decrease in cash | <u>(64,258,146)</u> |
| Balance at December 31, 2020 | <u>\$ 46,669,358</u> |

The Program's net spending of bond proceeds amounted to \$64.3 million during the second quarter of FY 2020-21, which was primarily used for property acquisitions and development projects. The remaining balance of proceeds at December 31, 2020 are expected to be spent in the next two quarters and, accordingly, the County of Santa Clara is anticipating the next series of bonds to be issued in May of 2021, in the amount of \$300 million.

Quarterly Update

During the second quarter of FY 2020-21, the Program's spending was as follows:

| | |
|------------------------------|----------------------|
| Development projects | \$ 20,068,844 |
| Renovation projects | 2,329,148 |
| Property acquisitions | 41,438,554 |
| First Time Homebuyer program | 897,761 |
| Administrative costs | <u>-</u> |
| Balance at December 31, 2020 | <u>\$ 64,734,307</u> |

During the second quarter of FY 2020-21, the Program did the following:

- Added 11 property acquisitions. See Section 2.2.
- Added 193 units from 7 of the 11 property acquisitions. See Section 2.2 or 2.4.
- Four projects under construction were in progress. See Section 2.5.
- Completed construction of the 40 permanent supportive housing units at Markham I for a Program total of 214 completed affordable housing units. See Section 2.5.
- Achieved the following project milestones: Algarve Apartments obtained land use approval, Gallup & Mesa secured all financing for the project, and Page Street Apartments and Vela Apartments (formerly Alum Rock Family Housing) began construction. See Section 2.5.

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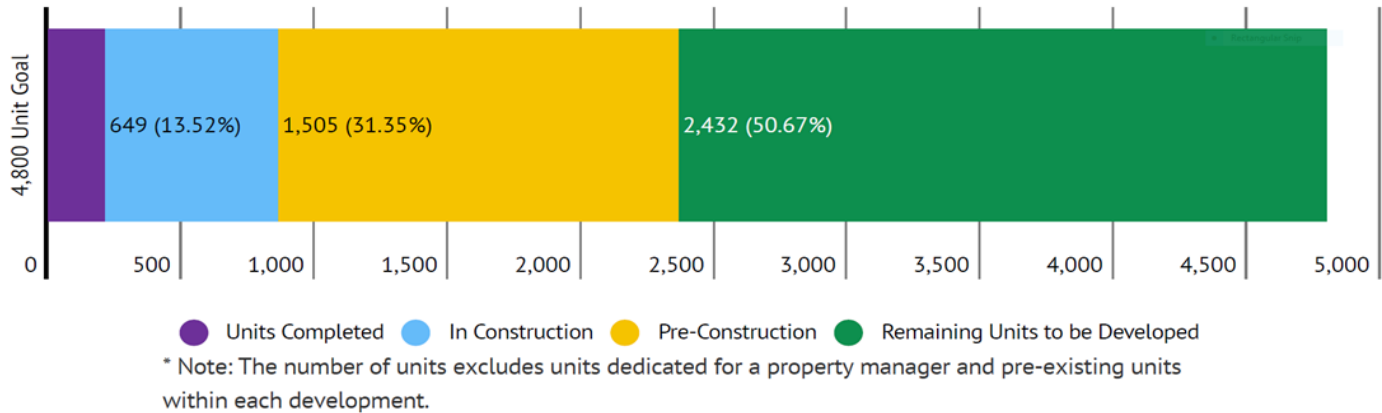
Progress to Date

As of December 31, 2020, the Program had committed \$499.35 million as follows:

- \$462.45 million for housing projects (see Section 2),
- \$25 million to the first-time homebuyer assistance program (Empower Homebuyers) (Section 3), and
- \$11.9 million to the supportive housing fund (Section 3).

As of December 31, 2020, the Program had spent \$203.47 million (Section 1, Exhibit 1). The Program had financed approximately 26.83 percent of total development costs, at an average per unit cost of approximately \$149,516 (see Sections 1.1, 2.1, 2.2, and 2.3), and 49.33 percent (2,368 units) of its goal of 4,800 affordable housing units (see Sections 2.4 and 3.1). Chart 1 below shows the number of units completed, in construction, in pre-construction, and the remaining to be developed.

Chart 1



Source: Data provided by the Office of Supportive Housing.

INTRODUCTION

Period in Review

This report provides an update on the activity regarding the County of Santa Clara Measure A 2016 Affordable Housing Bond Program (Program) and its Citizens' Oversight Committee (Committee) from October 1, 2020 through December 31, 2020, the second quarter of Fiscal Year (FY) 2020-21.

Purpose of the Measure A Affordable Housing Bond Program

Generate up to \$950 million through the issuance of general obligation bonds for the acquisition or improvement of real property in order to provide affordable local housing for vulnerable populations within Santa Clara County.

Purpose of the Independent Citizens' Oversight Committee

In accordance with County Ordinance No. NS-300.902, the Committee was formed to serve as an advisory body to the County Board of Supervisors over the implementation of the Program with the following purpose:

1. To advise on whether the County is spending the bond proceeds for the stated purpose approved by voters and not for any other purpose;
2. To advise on whether the County has been spending bond proceeds efficiently, effectively, and in a timely manner;
3. To advise on whether the County's issuance of bond proceeds and temporary investment of bond proceeds has been fiscally sound;
4. To recommend any changes to the County's implementation of the Housing Bond in order to ensure that bond proceeds are spent for the stated purpose approved by voters; and
5. To conduct an annual review of the report issued by the County describing the amount of funds collected and expended, and the status of any project required or authorized to be funded.

Activity Reported: Citizens' Oversight Committee

Oversight Committee Meetings and Report

During this reporting period, the Oversight Committee met on December 10, 2020 and one report was submitted and approved by the Committee: the Independent Advisor's First Quarter Fiscal Year 2020-2021 Report. The report was subsequently forwarded by the County Clerk of the Board to the County Board of Supervisors and each city within the County.

Performance Dashboards

MGO collaborated with the Subcommittee of the Citizens' Oversight Committee, the County's Office of Supportive Housing, and the County's Finance Agency to develop user-friendly and easily understandable dashboards that assist in presenting Program data and operational performance in order to promote accountability and transparency. The performance dashboards are located on the County's Office of Supportive Housing's website at <https://www.sccgov.org/sites/osh/Pages/home.aspx>.

Summary of Program Activity in Second Quarter FY 2020-21

We highlight the following observations regarding the unaudited data and operational performance of the Program during the second quarter of FY 2020-21 (October 1, 2020 through December 31, 2020):

- As summarized in Section 1 Exhibit 1, as of December 31, 2020, the Program had committed approximately 52.56 percent of all allowable bond proceeds to finance 49.33 percent of its housing goals.
- As summarized in Section 2.1 Exhibit 2, eleven property acquisitions were added during the second quarter of FY 2020-21. A total of 40 housing projects for \$462.45 million were in the planning process or under construction that had commitments from the Program to receive Measure A funds.
- As summarized in Section 2.2 Exhibit 3, ten housing projects had expenditures totaling \$63.84 million during the second quarter of FY 2020-21. As a result, the cumulative actual expenditures as of the end of the second quarter of FY 2020-21 increased 51.27 percent from approximately \$124.52 million at September 30, 2020, to \$188.35 million as of December 31, 2020.
- As summarized in Section 2.3 Exhibits 4, 5 and 6, eleven property acquisitions were added to the Program during the second quarter of FY 2020-21, which caused the Measure A Leveraging Ratio to decrease to an average of \$2.77 of non-Measure A funds invested for every dollar of Measure A funding. This ratio will continue to fluctuate as housing developments are added to the Program, and as individual housing projects are completed and costs finalized.
- As summarized in Section 2.4 Exhibit 7, the Program's current funding commitment will result in developing 49.33 percent of the total housing units (2,368) per the Program's goals (4,800), as of December 31, 2020.
- As summarized in Section 2.5 Exhibit 8, several milestones were achieved during the reporting period including: Algarve Apartments obtained land use approval, Gallup & Mesa secured all financing for the project, Page Street Apartments and Vela Apartments (formerly Alum Rock Family Housing) began construction, and Markham I completed construction.
- As summarized in Section 3.1 Exhibits 9 and 10, the First-Time Homebuyer Assistance Program received 341 intake applications, expended \$77,001 for the administration of the loan program, and purchased 8 loans for \$820,760 during the second quarter of FY 2020-21.
- As summarized in Section 3.2 Exhibit 11, the Housing Trust Silicon Valley (HTSV) – Supportive Housing Fund (SHF) had provided predevelopment loans to nine Program housing developments totaling \$21,890,570 through the second quarter of FY 2020-21. No new loans were funded or paid off during this reporting period.
- As summarized in Section 4 Exhibit 12, as of December 31, 2020, principal and interest outstanding on the 2017 Series A Housing General Obligation Bonds was \$149,382,514.00 compared to \$321,376,385.73 at the time when the bonds were issued.

More information on Measure A, including an interactive performance dashboard, can be found online on the County's Office of Supportive Housing's website at <https://www.sccgov.org/sites/osh/Pages/home.aspx> under the "Housing and Community Development" tab, in the "2016 Measure A – Affordable Housing Bond" link.

SECTION 1 – TOTAL PROGRAM COMMITMENTS

The 2016 Measure A Affordable Housing Bond Program approved by Santa Clara County voters authorized the issuance of up to \$950 million in general obligation bonds to fund the Program. In October 2017, the Program issued \$250 million in bonds (the 2017 Series A General Obligation Bonds). As of December 31, 2020, the Program has committed a total of \$499.35 million composed of the following: \$462.45 million for 40 housing projects (Section 2), \$25 million for a first-time homebuyer assistance program and \$11.9 million to the supportive housing fund (Section 3). Although the total commitments to-date exceed the amount available from the 2017 bonds, the Office of Supportive Housing does not anticipate spending more than \$250 million before May 2021, when the second bond issuance of \$300 million is expected.

Exhibit 1 below provides a summary of the Program's total committed and expended funds as of December 31, 2020. Through the end of the second quarter of FY 2020-21, the Program has committed 52.56 percent of all allowable bond proceeds to finance 49.33 percent of its housing goals. As of December 31, 2020, total Program funds expended to-date were \$203.47 million.

Exhibit 1

| Total Committed and Expended Program Funds As of Second Quarter FY 2020-21 | | |
|---|--------------------------------------|---|
| Project Name | Committed Program Funding | Total Program Funds Expended to-date |
| Housing Projects (Section 2) | \$ 462,452,913 | \$ 188,352,188 |
| First-Time Homebuyer Assistance Program (Section 3.1) | \$ 25,000,000 | \$ 2,897,408 |
| HTSV – Supportive Housing Fund (Section 3.2) | \$ 11,900,000 | \$ 11,900,000 ^a |
| Consulting and audit services | | \$ 316,804 |
| Program Totals | \$ 499,352,913 | \$ 203,466,400 |
| Percentage of Maximum Bond Allowance Committed or Expended | 52.56% ^b | |
| Percentage of Affordable Units Approved by the County Board of Supervisors | 49.33% ^c | |

Source: Data provided by the Office of Supportive Housing.

^a The HTSV – Supportive Housing Fund is a revolving loan program. It continuously loans up to \$11.9 million to Program projects as the projects repay the loans.

^b Percentage of maximum bond allowance committed or expended on housing projects is calculated by dividing \$499,352,913 (committed or expended to-date) by \$950,000,000 (maximum bonds approved).

^c Percentage of affordable units approved by the County Board of Supervisors is calculated by dividing the 2,368 housing units that are currently under development (total number of units, less the low income units and moderate income units, since both are not included in the Program's housing goals) by the Program's goal of 4,800 housing units. See Section 2.4 Exhibit 7.

SECTION 2 – HOUSING PROJECTS

2.1 – Housing Projects' Financials

Eleven property acquisitions were added to the Program during the second quarter of FY 2020-21. A total of 40 housing projects in the pre-construction or construction phase have received Measure A funding commitments as of December 31, 2020. The Program has committed \$462.45 million from Measure A proceeds for housing projects, which are estimated to finance approximately 26.83 percent of all total development costs, at an average cost share per unit of \$159,467 as presented in Exhibit 2 below.

The projects listed in Exhibit 2 are sequenced in the order that the projects were approved by the County Board of Supervisors (program commitment date), with Gateway Senior Apartments being the first project approved on November 14, 2017, and Casa de Novo being the most recent project approved on December 8, 2020.

Exhibit 2

| Housing Projects' Financial Data as of December 31, 2020 (Unaudited) | | | | | | | | |
|--|---|-------------------------|------------------------|---|-------------------------------|---------------------------|---|---|
| # | Project Name (City) | Program Commitment Date | No. of Units/Bed-rooms | Estimated Total Development Cost ^a | Estimated Total Cost Per Unit | Committed Program Funding | Program Commitment as % of Total Estimated Cost | Program's Estimated Cost Share Per Unit |
| Development Projects | | | | | | | | |
| 1 | Gateway Senior Apartments (Gilroy) | 11/14/2017 (Q2 FY18) | 75/86 | \$30,413,539 | \$405,514 | \$ 7,500,000 | 24.66% | \$ 100,000 |
| 2 | Crossings on Monterey (Morgan Hill) | 11/14/2017 (Q2 FY18) | 39/87 | 22,841,968 | 585,691 | 5,800,000 | 25.39 | 148,718 |
| 3 | Leigh Avenue Senior Apartments (San Jose) | 11/14/2017 (Q2 FY18) | 64/65 | 49,947,164 | 780,424 | 13,500,000 | 27.03 | 210,938 |
| 4 | Villas on the Park (San Jose) | 12/05/2017 (Q2 FY18) | 84/85 | 38,947,606 | 463,662 | 7,200,000 | 18.49 | 85,714 |
| 5 | The Veranda (Cupertino) | 12/05/2017 (Q2 FY18) | 19/20 | 11,390,778 | 599,515 | 1,000,000 | 8.78 | 52,632 |
| 6 | Quetzal Gardens (San Jose) | 12/05/2017 (Q2 FY18) | 71/ 141 | 50,194,787 | 706,969 | 9,830,000 | 19.58 | 138,451 |
| 7 | Sango Court (Milpitas) ^b | 06/05/2018 (Q4 FY18) | 102/129 | 72,488,258 | 710,669 | 16,000,000 | 22.07 | 156,863 |
| 8 | Iamesi Village (formerly North San Pedro Apartments) (San Jose) | 06/05/2018 (Q4 FY18) | 135/136 | 60,229,610 | 446,145 | 7,200,000 | 11.95 | 53,333 |
| 9 | Calabazas (formerly Corvin) Apartments (Santa Clara) | 06/05/2018 (Q4 FY18) | 145/146 | 56,946,894 | 392,737 | 29,000,000 | 50.92 | 200,000 |
| 10 | Page Street Apartments (San Jose) ^{b-} | 06/05/2018 (Q4 FY18) | 82/83 | 40,716,824 | 496,547 | 14,000,000 | 34.38 | 170,732 |

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| Housing Projects' Financial Data as of December 31, 2020 (Unaudited) | | | | | | | | |
|--|---|-------------------------|----------------------------------|---|-------------------------------|---------------------------|---|---|
| # | Project Name (City) | Program Commitment Date | No. of Units/Bed-rooms | Estimated Total Development Cost ^a | Estimated Total Cost Per Unit | Committed Program Funding | Program Commitment as % of Total Estimated Cost | Program's Estimated Cost Share Per Unit |
| 11 | Agrihood Senior Apartments (Santa Clara) | 12/18/2018 (Q2 FY19) | 165/177 | 83,273,350 | 504,687 | 23,550,000 | 28.28 | 142,727 |
| 12 | West San Carlos Housing (San Jose) | 12/18/2018 (Q2 FY19) | 80/104 | 51,687,253 | 646,091 | 9,300,000 | 17.99 | 116,250 |
| 13 | Blossom Hill Housing (San Jose) | 12/18/2018 (Q2 FY19) | 147/163 | 86,106,638 | 585,759 | 19,100,000 | 22.18 | 129,932 |
| 14 | Vela Apartments (formerly Alum Rock Family Housing) (San Jose) ^b | 12/18/2018 (Q2 FY19) | 87/155 | 55,346,138 | 636,163 | 15,650,000 | 28.28 | 179,885 |
| 15 | Roosevelt Park (San Jose) | 12/18/2018 (Q2 FY19) | 80/135 | 69,658,643 | 870,733 | 14,400,000 | 20.67 | 180,000 |
| 16 | Auzerias Apartments (San Jose) | 10/22/2019 (Q2 FY20) | 130/148 | 92,062,481 | 708,173 | 13,200,00 | 14.34 | 101,538 |
| 17 | Gallup & Mesa (San Jose) | 10/22/2019 (Q2 FY20) | 46/59 | 31,446,161 | 683,612 | 2,400,000 | 7.63 | 52,174 |
| 18 | 4th and E. Younger Apartments (San Jose) | 03/10/2020 (Q3 FY20) | 94/94 | 55,150,638 | 586,709 | 7,500,000 | 13.60 | 79,787 |
| 19 | Moorpark Apartments (San Jose) | 03/10/2020 (Q3 FY20) | 108/108 | 76,729,622 | 710,459 | 16,654,646 | 21.71 | 154,210 |
| 20 | Bascom Apartments (San Jose) | 03/10/2020 (Q3 FY20) | 90/115 | 64,054,314 | 711,715 | 15,800,000 | 24.67 | 175,556 |
| 21 | Kifer Senior Apartments (Santa Clara) | 03/10/2020 (Q3 FY20) | 80/84 | 57,567,994 | 719,600 | 14,000,000 | 24.32 | 175,000 |
| 22 | La Avenida Apartments (Mountain View) | 03/10/2020 (Q3 FY20) | 102/111 | 78,077,678 | 765,467 | 19,000,000 | 24.33 | 186,275 |
| 23 | Algarve Apartments (San Jose) | 03/10/2020 (Q3 FY20) | 91/119 | 50,618,940 | 556,252 | 11,500,000 | 22.72 | 126,374 |
| 24 | Gateway Tower (San Jose) | 03/10/2020 (Q3 FY20) | 300/381 | 243,010,413 | 810,035 | 53,000,000 | 21.81 | 176,667 |
| 24 Development Projects Total | | | 2,416 ^c / 2930 | \$1,528,907,691 | | \$346,084,646 | 22.64% | \$ 143,247 |
| Renovation Projects | | | | | | | | |
| 1 | Markham I ^d (San Jose) | 12/18/2018 (Q2 FY19) | 153/156 | 26,809,742 | 175,227 | 7,000,000 | 26.11 | 45,752 |

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| Housing Projects' Financial Data as of December 31, 2020 (Unaudited) | | | | | | | | |
|--|---|-------------------------|-----------------------------------|---|-------------------------------|---------------------------|---|---|
| # | Project Name (City) | Program Commitment Date | No. of Units/Bed-rooms | Estimated Total Development Cost ^a | Estimated Total Cost Per Unit | Committed Program Funding | Program Commitment as % of Total Estimated Cost | Program's Estimated Cost Share Per Unit |
| 2 | Markham II ^d (San Jose) | 12/18/2018 (Q2 FY19) | 152/155 | 26,593,698 | 174,959 | 7,200,000 | 27.07 | 47,368 |
| 3 | Curtner Studios ^d (San Jose) | 12/18/2018 (Q2 FY19) | 179/179 | 14,995,679 | 83,775 | 14,950,000 | 99.70 | 83,520 |
| 3 Renovation Projects Total | | | 484 ^c / 490 | \$ 68,399,119 | | \$ 29,150,000 | 42.62% | \$ 60,227 |
| Property Acquisitions | | | | | | | | |
| 1 | Western Motel ^e (Santa Clara) | 01/14/2020 (Q3 FY20) | N/A/N/A | 9,000,000 | N/A | 9,000,000 | 100.00 | N/A |
| 2 | Driftwood Drive ^f (San Jose) | 04/21/2020 (Q4 FY20) | N/A/N/A | 830,000 | N/A | 830,000 | 100.00 | N/A |
| 3 | Hillview Court ^g (Milpitas) | 10/06/2020 (Q2 FY21) | 134/134 | 76,275,000 | 569,216 | 46,900,000 | 61.49 | 350,000 |
| 4 | 62 Ferrari Avenue ^h (San Jose) | 10/06/2020 (Q2 FY21) | 1/3 | 763,406 | 763,406 | 763,406 | 100.00 | 763,406 |
| 5 | 92 Ferrari Avenue ^h (San Jose) | 10/06/2020 (Q2 FY21) | 1/3 | 763,406 | 763,406 | 763,406 | 100.00 | 763,406 |
| 6 | 98 Ferrari Avenue ^h (San Jose) | 10/06/2020 (Q2 FY21) | 1/3 | 763,406 | 763,406 | 763,406 | 100.00 | 763,406 |
| 7 | 110 Ferrari Avenue ^h (San Jose) | 10/06/2020 (Q2 FY21) | 1/3 | 763,406 | 763,406 | 763,406 | 100.00 | 763,406 |
| 8 | 120 Ferrari Avenue ^h (San Jose) | 10/06/2020 (Q2 FY21) | 1/3 | 743,316 | 743,316 | 743,316 | 100.00 | 743,316 |
| 9 | Atlanta Avenue & Hull Avenue ⁱ (San Jose) | 10/06/2020 (Q2 FY21) | N/A/N/A | 1,305,826 | N/A | 1,305,826 | 100.00 | N/A |
| 10 | Clayton Avenue ⁱ (San Jose) | 10/06/2020 (Q2 FY21) | N/A/N/A | 592,644 | N/A | 592,644 | 100.00 | N/A |
| 11 | Almaden Road ⁱ (San Jose) | 10/06/2020 (Q2 FY21) | N/A/N/A | 9,994,590 | N/A | 9,994,590 | 100.00 | N/A |
| 12 | 330 Distel Circle ^j (Los Altos) | 10/20/2020 (Q2 FY21) | N/A/N/A | 10,431,600 | N/A | 10,431,600 | 100.00 | N/A |
| 13 | Casa de Novo ^k (San Jose) | 12/08/2020 (Q2 FY21) | 54/54 | 13,924,000 | 257,852 | 4,366,667 | 31.36 | 80,864 |
| 13 Property Acquisitions Total | | | 193/203 | \$ 126,150,600 | | \$ 87,218,267 | 69.14% | 451,908 |
| 40 Total Housing Projects | | | 3,093 ^c / 3,623 | \$1,723,457,410 | | \$ 462,452,913 | 26.83% | \$ 149,516 |

Source: Data provided by the Office of Supportive Housing.

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- ^a The estimated total development costs include items such as common lounges, community kitchens, fitness rooms, and laundry facilities, in addition to the costs necessary to build the respective projects.
- ^b Program is in the process of acquiring the real property as included in the original Program commitment. The Program would own the land and ground lease for the development of affordable housing.
- ^c The number of units includes units dedicated for a property manager for each development (37 property manager units in total).
- ^d The number of units for each project includes pre-existing units that were inherited with Markham I (112 units), Markham II (101 units), and Curtner Studios (67 units). It is important to note that while only a portion of these renovated units will contribute to Program Housing Goals, the Estimated Total Development Cost and the Program's Estimated Cost Share Per Unit incorporate costs for the renovation of other affordable housing units in these structures not specified in the Measure A Program.
- ^e The County acquired property that is currently developed with a single-story 31-room motel building totaling 12,150 square feet. The intent of the Program acquiring the property is to work with a development corporation to redevelop the property for affordable housing to provide between 35 and 65 units.
- ^f The County acquired property that is currently developed with a single-tenant office building with a gross and rentable area of 4,259 square feet. The property was the former fire department headquarters and has been vacant since 2014. The intent of the Program acquiring the property is to demolish the building and develop affordable housing.
- ^g The County acquired property that is currently developed with a 146-room hotel. The intent of the Program acquiring the property is to convert to a 134 unit permanent supportive housing (PSH) development with approximately 6,000 square feet of community space and outdoor space of over 10,000 square feet including a community garden, sports court, barbecue and seating area, dog park and pet wash area.
- ^h The County transferred property it owns from the Roads and Airports Department. The property is currently developed with a single family home, which the Program would preserve and offer as affordable housing.
- ⁱ The County transferred property it owns from the Roads and Airports Department. The property is currently vacant and zoned for residential use. The intent of transferring the property is for the Program to develop affordable housing.
- ^j The County acquired property that is currently developed with a 12,204 square foot building with a single tenant. The intent of the Program acquiring the property is to develop affordable housing.
- ^k The County acquired property that is currently developed with a 54-room motel. The intent of the Program acquiring the property is to operate the 54 units as permanent supportive housing and interim housing until approximately July 2022, when the buildings would be demolished and the site redeveloped as affordable housing.

2.2 – Program Expenditures per Housing Project

Of the \$462.45 million committed to the 40 housing projects, \$188.35 million, or approximately 40.74 percent, was expended as of December 31, 2020. During the second quarter of FY 2020-21, the Program expended \$63.84 million, which represented an increase in cumulative expenditures of 51.27 percent when compared to the \$124.52 million spent as of September 30, 2020. Exhibit 3 on the following page provides an overview by project of the expenditures to-date (as of December 31, 2020) by cost category (acquisition, pre-development, and construction) expended from Measure A funds.

Exhibit 3

Example 3

| Program Expenditures per Housing Project through December 31, 2020 | | | | | | | |
|---|--------------------------------|-------------------------------------|------------------------------------|---|------------------------------|---------------------|--------------|
| # | Project Name | Total Program Funds Committed | Total Program Funds Expended | Program Funds Expended During Q2 | Program to-date Expenditures | | |
| | | | | | Acquisition | Pre- Development | Construction |
| Development Projects | | | | | | | |
| 1 | Gateway Senior Apartments | \$ 7,500,000 | \$ 7,500,000 | \$ 0 | \$ 3,600,000 | \$ 0 | \$ 3,900,000 |
| 2 | Crossings on Monterey | 5,800,000 | 5,800,000 | 0 | 2,400,000 | 1,179,946 | 2,220,054 |
| 3 | Leigh Ave Senior Apartments | 13,500,000 | 4,071,426 | 0 | 3,700,000 | 49,723 | 321,703 |
| 4 | Villas on the Park | 7,200,000 | 7,199,999 | 0 | 0 | 1,644,502 | 5,555,497 |
| 5 | The Veranda | 1,000,000 | 1,000,000 | 0 | 68,564 | 151,434 | 780,002 |

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| Program Expenditures per Housing Project through December 31, 2020 | | | | | | | |
|---|--|-------------------------------------|------------------------------------|---|------------------------------|---------------------|-------------------|
| # | Project Name | Total Program Funds Committed | Total Program Funds Expended | Program Funds Expended During Q2 | Program to-date Expenditures | | |
| | | | | | Acquisition | Pre- Development | Construction |
| 6 | Quetzal Gardens | 9,830,000 | 9,830,000 | 0 | 3,900,000 | 284,522 | 5,645,477 |
| 7 | Sango Court | 16,000,000 | 8,325,000 | 0 | 6,900,000 | 1,425,000 | 0 |
| 8 | Iamesi Village (formerly North San Pedro Apartments) | 7,200,000 | 6,815,787 | 0 | 93,633 | 0 | 6,722,154 |
| 9 | Calabazas (formerly Corvin) Apartments | 29,000,000 | 29,000,000 | 4,047,468 | 9,500,000 | 2,000,000 | 17,500,000 |
| 10 | Page Street Apartments | 14,000,000 | 5,559,341 | 326,841 | 4,186,089 | 1,053,911 | 319,341 |
| 11 | Agrihood Senior Apartments | 23,550,000 | 1,953,522 | 569,320 | 0 | 1,953,522 | 0 |
| 12 | West San Carlos Housing | 9,300,000 | 6,828,000 | 1,268,000 | 5,500,000 | 1,328,000 | 0 |
| 13 | Blossom Hill Housing | 19,100,000 | 11,000,000 | 0 | 9,000,000 | 2,000,000 | 0 |
| 14 | Vela Apartments (formerly Alum Rock Family Housing) | 15,650,000 | 7,018,511 | 1,357,215 | 3,700,000 | 2,000,000 | 1,318,511 |
| 15 | Roosevelt Park | 14,400,000 | 5,989,977 | 0 | 4,000,000 | 1,989,977 | 0 |
| 16 | Auzerias Apartments | 13,200,000 | 12,500,000 | 12,500,000 | 12,500,000 | 0 | 0 |
| 17 | Gallup & Mesa | 2,400,000 | 0 | 0 | 0 | 0 | 0 |
| 18 | 4th and E. Younger Apartments | 7,500,000 | 0 | 0 | 0 | 0 | 0 |
| 19 | Moorpark Apartments | 16,654,646 | 0 | 0 | 0 | 0 | 0 |
| 20 | Bascom Apartments | 15,800,000 | 0 | 0 | 0 | 0 | 0 |
| 21 | Kifer Senior Apartments | 14,000,000 | 0 | 0 | 0 | 0 | 0 |
| 22 | La Avenida Apartments | 19,000,000 | 0 | 0 | 0 | 0 | 0 |
| 23 | Algarve Apartments | 11,500,000 | 0 | 0 | 0 | 0 | 0 |
| 24 | Gateway Tower | 53,000,000 | 0 | 0 | 0 | 0 | 0 |
| Development Projects Total | | 346,084,646 | 130,391,562 | 20,068,844 | 69,048,286 | 17,060,536 | 44,282,740 |
| Renovation Projects | | | | | | | |
| 1 | Markham I | 7,000,000 | 0 | 0 | 0 | 0 | 0 |
| 2 | Markham II | 7,200,000 | 0 | 0 | 0 | 0 | 0 |
| 3 | Curtner Studios | 14,950,000 | 6,761,373 | 2,329,148 | 0 | 0 | 6,761,373 |
| Renovation Projects Total | | 29,150,000 | 6,761,373 | 2,329,148 | 0 | 0 | 6,761,373 |
| Property Acquisitions | | | | | | | |
| 1 | Western Motel | 9,000,000 | 9,000,000 | 0 | 9,000,000 | 0 | 0 |
| 2 | Driftwood Drive | 830,000 | 760,699 | 0 | 760,699 | 0 | 0 |
| 3 | Hillview Court | 46,900,000 | 36,571,887 | 36,571,887 | 36,571,887 | - | - |

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| Program Expenditures per Housing Project through December 31, 2020 | | | | | | | |
|--|--------------------------|-------------------------------|------------------------------|----------------------------------|------------------------------|---------------------|---------------------|
| # | Project Name | Total Program Funds Committed | Total Program Funds Expended | Program Funds Expended During Q2 | Program to-date Expenditures | | |
| | | | | | Acquisition | Pre-Development | Construction |
| 4 | 62 Ferrari Avenue | 763,406 | - | - | - | - | - |
| 5 | 92 Ferrari Avenue | 763,406 | - | - | - | - | - |
| 6 | 98 Ferrari Avenue | 763,406 | - | - | - | - | - |
| 7 | 110 Ferrari Avenue | 763,406 | - | - | - | - | - |
| 8 | 120 Ferrari Avenue | 743,316 | - | - | - | - | - |
| 9 | Atlanta Ave. & Hull Ave. | 1,305,826 | - | - | - | - | - |
| 10 | Clayton Avenue | 592,644 | - | - | - | - | - |
| 11 | Almaden Road | 9,994,590 | - | - | - | - | - |
| 12 | 330 Distel Circle | 10,431,600 | 500,000 | 500,000 | 500,000 | - | - |
| 13 | Casa de Novo | 4,366,667 | 4,366,667 | 4,366,667 | 4,366,667 | - | - |
| Property Acquisitions Total | | 87,218,267 | 51,199,253 | 41,438,554 | 51,199,253 | 0 | 0 |
| Total Housing Projects | | \$462,452,913 | \$188,352,188 | \$63,836,546 | \$120,247,539 | \$17,060,536 | \$51,044,113 |

Source: Data provided by the Office of Supportive Housing.

* Projects colored grey are complete.

2.3 – Measure A Leveraging Ratio

2.3.1 – Average vs. Median Leveraging Ratios

Exhibit 4 on the following page provides the average vs. median leveraging ratios for the second quarter of FY 2020-21. Eleven property acquisitions were added during the quarter; and, therefore, the averages changed from first quarter.

Average Leveraging Ratio - Based on the financial projections for the housing projects, it is estimated that in the second quarter of FY 2020-21 for every one dollar invested by the Measure A Program, the Program incentivized \$2.77, on average, from outside investments (Measure A Leveraging Ratio) into affordable housing projects.

Median Leveraging Ratio - Based on the financial projections for the housing projects, it is estimated that in the second quarter of FY 2020-21 for every one dollar invested by the Measure A Program, the Program incentivized \$2.76, per the median, from outside investments (Measure A Leveraging Ratio) into affordable housing projects.

The County's *Supportive Housing Development Program Guidelines*, version 5,¹ requires that Program applicants must propose the maximum use of available non-local funds to achieve the highest reasonable financial leverage of capital resources. Measure A funds must be leveraged at a 1:3 ratio, which is, for every one dollar invested by the Measure A Program, there are three dollars available from non-Measure A funds. For purposes of the Measure A leveraging requirements, local funds will be considered non-Measure A funds.

¹ Approved by the Board of Supervisors on August 13, 2019.

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The median of a set of numbers is the middle number, where half the numbers are lower and half the numbers are higher. The average of a set of numbers is the total of those numbers divided by the number of items in that set. The median and average might be close, but they could also be significantly different, dependent upon outliers (data points that may have wide variances [differences] between the low and high points).

Exhibit 4

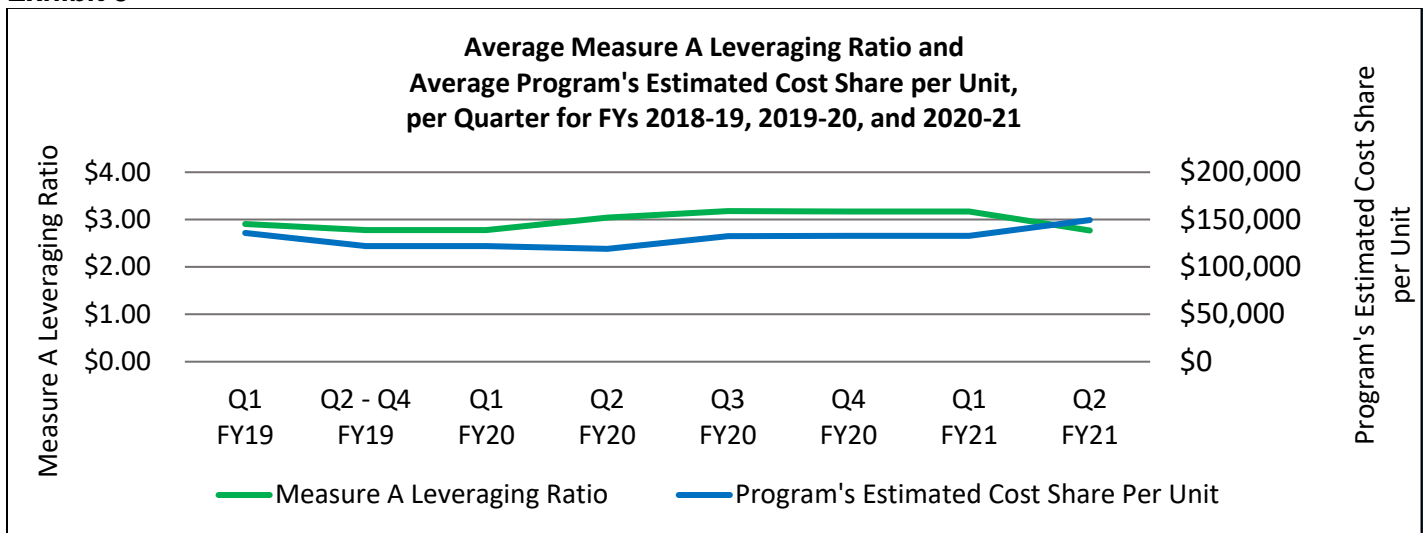
| Estimated Ratio of Outside Investments | | | | | |
|--|-------------------------------------|---------------------------------|--------------------------|-------------------------------|--------|
| Quarter FY 2020-21 | Estimated Total Development Cost | Committed Program Funding | Non-Measure A Funding | Measure A Leveraging Ratio | |
| | | | | Average | Median |
| Q1 | \$ 1,723,457,410 | \$ 462,452,913 | \$ 1,261,004,497 | \$2.77 | \$2.76 |

Source: Data provided by the Office of Supportive Housing.

2.3.2 – Leveraging Ratio vs. Program's Estimated Cost Share per Unit

Exhibit 5 compares the average Measure A leveraging ratio and the average for the Program's estimated cost share per unit (from Exhibit 2) from the beginning of FY 2018-19 through the first quarter of FY 2020-21. The two averages held steady through the first quarter of FY 2020-21 as no new housing projects were added to the Program. The average Measure A Leverage Ratio decreased in the second quarter due to adding 11 property acquisitions to the Program during the quarter. However, the property acquisitions did not add any units to the Program during the quarter and therefore, the average for the Program's estimated costs share per unit increased in the second quarter as.

Exhibit 5



Source: Data provided by the Office of Supportive Housing.

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2.3.3 – Measure A Leveraging Ratio By Project

For the current 40 housing projects in the Program, the Measure A Leveraging Ratio ranged from a high of \$12.10 for Gallup & Mesa, which leveraged significant outside funding, to \$0.0031 for Curtner Studios, where nearly all funding came from the Program. Eleven of the 13 property acquisitions were funded solely by the Program. The Program will obtain non-Measure A funding when the Program is ready to develop the properties as affordable housing.

Exhibit 6

| Estimated Ratio of Outside Investments per Housing Project as of December 31, 2020 | | | | | |
|---|--|----------------------------------|---------------------------|-----------------------|---|
| # | Project Name | Estimated Total Development Cost | Committed Program Funding | Non-Measure A Funding | Measure A Leveraging Ratio ^a |
| Development Projects | | | | | |
| 1 | Gateway Senior Apartments | \$ 30,413,539 | \$ 7,500,000 | \$ 22,913,539 | \$ 3.06 |
| 2 | Crossings on Monterey | 22,841,968 | 5,800,000 | 17,041,968 | 2.94 |
| 3 | Leigh Avenue Senior Apartments | 49,947,164 | 13,500,000 | 36,447,164 | 2.70 |
| 4 | Villas on the Park | 38,947,606 | 7,200,000 | 31,747,606 | 4.41 |
| 5 | The Veranda | 11,390,778 | 1,000,000 | 10,390,778 | 10.39 |
| 6 | Quetzal Gardens | 50,194,787 | 9,830,000 | 40,364,787 | 4.11 |
| 7 | Sango Court | 72,488,258 | 16,000,000 | 56,488,258 | 3.53 |
| 8 | Iamesi Village (formerly North San Pedro Apartments) | 60,229,610 | 7,200,000 | 53,029,610 | 7.37 |
| 9 | Calabazas (formerly Corvin) Apartments | 56,946,894 | 29,000,000 | 27,946,894 | 0.96 |
| 10 | Page Street Apartments | 40,716,824 | 14,000,000 | 26,716,824 | 1.91 |
| 11 | Agrihood Senior Apartments | 83,273,350 | 23,550,000 | 59,723,350 | 2.54 |
| 12 | West San Carlos Housing | 51,687,253 | 9,300,000 | 42,387,253 | 4.56 |
| 13 | Blossom Hill Housing | 86,106,638 | 19,100,000 | 67,006,638 | 3.51 |
| 14 | Vela Apartments (formerly Alum Rock Family Housing) | 55,346,138 | 15,650,000 | 39,696,138 | 2.54 |
| 15 | Roosevelt Park | 69,658,643 | 14,400,000 | 55,258,643 | 3.84 |
| 16 | Auzerias Apartments | 92,062,481 | 13,200,000 | 78,862,481 | 5.97 |
| 17 | Gallup & Mesa | 31,446,161 | 2,400,000 | 29,046,161 | 12.10 |
| 18 | 4th and E. Younger Apartments | 55,150,638 | 7,500,000 | 47,650,638 | 6.35 |
| 19 | Moorpark Apartments | 76,729,622 | 16,654,646 | 60,074,976 | 3.61 |
| 20 | Bascom Apartments | 64,054,314 | 15,800,000 | 48,254,314 | 3.05 |
| 21 | Kifer Senior Apartments | 57,567,994 | 14,000,000 | 43,567,994 | 3.11 |
| 22 | La Avenida Apartments | 78,077,678 | 19,000,000 | 59,077,678 | 3.11 |
| 23 | Algarve Apartments | 50,618,940 | 11,500,000 | 39,118,940 | 3.40 |

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| Estimated Ratio of Outside Investments per Housing Project as of December 31, 2020 | | | | | |
|---|--------------------------|-------------------------------------|------------------------------|--------------------------|---|
| # | Project Name | Estimated Total Development Cost | Committed Program Funding | Non-Measure A Funding | Measure A Leveraging Ratio ^a |
| 24 | Gateway Tower | 243,010,413 | 53,000,000 | 190,010,413 | 3.59 |
| Development Projects Total | | 1,528,907,691 | 346,084,646 | 1,182,823,045 | |
| Renovation Projects | | | | | |
| 1 | Markham I | 26,809,742 | 7,000,000 | 19,809,742 | 2.83 |
| 2 | Markham II | 26,593,698 | 7,200,000 | 19,393,698 | 2.69 |
| 3 | Curtner Studios | 14,995,679 | 14,950,000 | 45,679 | <0.01 |
| Renovation Projects Total | | 68,399,119 | 29,150,000 | 39,249,119 | |
| Property Acquisitions | | | | | |
| 1 | Western Motel | 9,000,000 | 9,000,000 | 0 | 0.00 |
| 2 | Driftwood Drive | 830,000 | 830,000 | 0 | 0.00 |
| 3 | Hillview Court | 76,275,000 | 46,900,000 | 29,375,000 | 0.63 |
| 4 | 62 Ferrari Avenue | 763,406 | 763,406 | 0 | 0.00 |
| 5 | 92 Ferrari Avenue | 763,406 | 763,406 | 0 | 0.00 |
| 6 | 98 Ferrari Avenue | 763,406 | 763,406 | 0 | 0.00 |
| 7 | 110 Ferrari Avenue | 763,406 | 763,406 | 0 | 0.00 |
| 8 | 120 Ferrari Avenue | 743,316 | 743,316 | 0 | 0.00 |
| 9 | Atlanta Ave. & Hull Ave. | 1,305,826 | 1,305,826 | 0 | 0.00 |
| 10 | Clayton Avenue | 592,644 | 592,644 | 0 | 0.00 |
| 11 | Almaden Road | 9,994,590 | 9,994,590 | 0 | 0.00 |
| 12 | 330 Distel Circle | 10,431,600 | 10,431,600 | 0 | 0.00 |
| 13 | Casa de Novo | 13,924,000 | 4,366,667 | 9,557,333 | 2.19 |
| Property Acquisitions Total | | 126,150,600 | 87,218,267 | 38,932,333 | |
| Total Housing Projects | | \$ 1,723,457,410 | \$ 462,452,913 | \$ 1,261,004,497 | \$ 2.77 |

Source: Data provided by the Office of Supportive Housing.

^a The Measure A Leveraging Ratio is calculated by dividing "Non-Measure A Funding" by "Committed Program Funding." It is important to note that the Measure A Leveraging Ratios are based on projections and are likely to change over time as more housing projects are added to the Program and as individual projects are completed and actual costs are finalized.

2.4 – Housing Development Goals

There are six types of housing impacted by the Program's current 40 housing projects. Exhibit 7 on the following page outlines, by project, the number of units being built by the Program by the six housing types as defined below. Exhibit 7 also includes the Program's development goals for each housing type as listed in the *Measure A Program Guidelines*.

- Permanent Supportive Housing (PSH): Housing units that provide long-term rental assistance, case management, and supportive services to the most vulnerable chronically homeless individuals and families.
- Rapid Rehousing (RRH): Housing units offered to individuals and families to transition from homelessness to permanent housing through time-limited support services such as rental and financial assistance, case management, and other support services.
- Extremely Low-Income (ELI): Housing units offered at rental rates below market value to households making up to 30 percent of the area median income (AMI).
- Very Low-Income (VLI): Housing units offered at rental rates below market value to households making 31 to 50 percent of the AMI.
- Low Income (LI): Housing units offered at rental rates below market value to households making 51 to 80 percent of the AMI. The *Measure A Program Guidelines* do not include a development goal for LI.
- Moderate Income (MI): Housing units offered at rental rates below market value to households making between 81 percent and 120 percent of the AMI. The *Measure A Program Guidelines* do not include a development goal for MI.

As summarized in Exhibit 7 below, the Program's current funding commitment will assist in developing 49.33 percent of the total housing units (2,368) per the Program's goals (4,800), as of December 31, 2020. Exhibit 7 also summarizes the following development commitment by each housing type:

- 85.44 percent of the goal for PSH units,
- 5.06 percent of the goal for RRH units,
- 41.25 percent of the goal for ELI housing units, and
- 69.83 percent of the goal for VLI housing units.

There are also 323 units of LI housing and 80 units of MI housing that are currently being planned for development or built. The Program Guidelines do not stipulate a development goal for those types of housing.

Exhibit 7

| Housing Development Goals vs Units Under Development | | | | | | | | |
|--|--------------------------------|---------------------------|-----|-----|-----|-----|-----------------|-----------------|
| # | Project Name | No. of Units ^a | PSH | RRH | ELI | VLI | LI ^b | MI ^b |
| Development Projects | | | | | | | | |
| 1 | Gateway Senior Apartments | 75 | 37 | 0 | 0 | 5 | 32 | 0 |
| 2 | Crossings on Monterey | 39 | 20 | 0 | 0 | 11 | 7 | 0 |
| 3 | Leigh Avenue Senior Apartments | 64 | 63 | 0 | 0 | 0 | 0 | 0 |
| 4 | Villas on the Park | 84 | 83 | 0 | 0 | 0 | 0 | 0 |
| 5 | The Veranda | 19 | 6 | 0 | 6 | 6 | 0 | 0 |

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| Housing Development Goals vs Units Under Development | | | | | | | | |
|--|--|---------------------------|--------------|-----------|------------|------------|-----------------|-----------------|
| # | Project Name | No. of Units ^a | PSH | RRH | ELI | VLI | LI ^b | MI ^b |
| 6 | Quetzal Gardens | 71 | 28 | 0 | 19 | 0 | 23 | 0 |
| 7 | Sango Court | 102 | 40 | 0 | 31 | 14 | 16 | 0 |
| 8 | Iamesi Village (formerly North San Pedro Apartments) | 135 | 109 | 0 | 0 | 25 | 0 | 0 |
| 9 | Calabazas (formerly Corvin) Apartments | 145 | 80 | 0 | 0 | 64 | 0 | 0 |
| 10 | Page Street Apartments | 82 | 27 | 0 | 27 | 27 | 0 | 0 |
| 11 | Agrihood Senior Apartments | 165 | 54 | 0 | 54 | 0 | 55 | 0 |
| 12 | West San Carlos Housing | 80 | 40 | 0 | 0 | 19 | 20 | 0 |
| 13 | Blossom Hill Housing | 147 | 49 | 0 | 48 | 48 | 0 | 0 |
| 14 | Vela Apartments (formerly Alum Rock Family Housing) | 87 | 29 | 14 | 8 | 18 | 16 | 0 |
| 15 | Roosevelt Park | 80 | 0 | 40 | 0 | 20 | 19 | 0 |
| 16 | Auzerias Apartments | 130 | 64 | 0 | 0 | 43 | 21 | 0 |
| 17 | Gallup & Mesa | 46 | 23 | 0 | 2 | 14 | 6 | 0 |
| 18 | 4th and E. Younger Apartments | 94 | 93 | 0 | 0 | 0 | 0 | 0 |
| 19 | Moorpark Apartments | 108 | 106 | 0 | 0 | 0 | 0 | 0 |
| 20 | Bascom Apartments | 90 | 20 | 9 | 29 | 6 | 24 | 0 |
| 21 | Kifer Senior Apartments | 80 | 45 | 0 | 0 | 17 | 17 | 0 |
| 22 | La Avenida Apartments | 102 | 34 | 0 | 33 | 19 | 14 | 0 |
| 23 | Algarve Apartments | 91 | 46 | 0 | 0 | 44 | 0 | 0 |
| 24 | Gateway Tower | 300 | 55 | 18 | 73 | 19 | 53 | 80 |
| Development Projects Total | | 2,416 | 1,151 | 81 | 330 | 419 | 323 | 80 |
| Renovation Projects | | | | | | | | |
| 1 | Markham I | 153 ^c | 40 | 0 | 0 | 0 | 0 | 0 |
| 2 | Markham II | 152 ^c | 50 | 0 | 0 | 0 | 0 | 0 |
| 3 | Curtner Studios | 179 ^c | 111 | 0 | 0 | 0 | 0 | 0 |
| Renovation Projects Total | | 484 | 201 | 0 | 0 | 0 | 0 | 0 |
| Property Acquisitions | | | | | | | | |
| 1 | Western Motel ^d | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | Driftwood Drive ^d | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Hillview Court | 134 | 132 | 0 | 0 | 0 | 0 | 0 |
| 4 | 62 Ferrari Avenue | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 | 92 Ferrari Avenue | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | 98 Ferrari Avenue | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | 110 Ferrari Avenue | 1 | 0 | 0 | 0 | 0 | 0 | 0 |

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| Housing Development Goals vs Units Under Development | | | | | | | | |
|--|---------------------------------------|---------------------------|---------------|--------------|---------------|---------------|-----------------|-----------------|
| # | Project Name | No. of Units ^a | PSH | RRH | ELI | VLI | LI ^b | MI ^b |
| 8 | 120 Ferrari Avenue | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Atlanta Ave. & Hull Ave. ^e | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | Clayton Avenue ^e | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 | Almaden Road ^e | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | 330 Distel Circle ^e | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 | Casa de Novo | 54 | 54 | 0 | 0 | 0 | 0 | 0 |
| Property Acquisitions Total | | 193 | 186 | 0 | 0 | 0 | 0 | 0 |
| Program Totals^f | | 2,368 | 1,538 | 81 | 330 | 419 | 323 | 80 |
| Program Goals | | 4,800 | 1,800 | 1,600 | 800 | 600 | N/A | N/A |
| Percentage of Units Approved by the Board | | 49.33% | 85.44% | 5.06% | 41.25% | 69.83% | N/A | N/A |

Source: Data provided by the Office of Supportive Housing.

^a The number of units includes units dedicated for property managers for each project.

^b Amounts are only included for tracking purposes since the *Measure A Program Guidelines* do not stipulate a development goal for LI or MI units.

^c These projects contain ELI and VLI units that are going to be renovated with Measure A funds. As these units are pre-existing units, they are not counted toward the housing development goals. However, pre-existing conversions to new PSH and RRH are counted towards the housing development goals identified above.

^d These projects are not yet in the housing development phase; therefore, the number of units by housing type have not been determined.

^e The type of housing is still being determined for these projects.

^f Total number of units excludes the LI units (323 units) and MI units (80 units) since the Program Guidelines do not stipulate a development goal for LI or MI units. The total number of units also excludes the property manager units (37 units) and the pre-existing units that were inherited with the Markham I (112 units), Markham II (101 units), and Curtner Studios (67 units) projects.

2.5 – Housing Developments Timeline

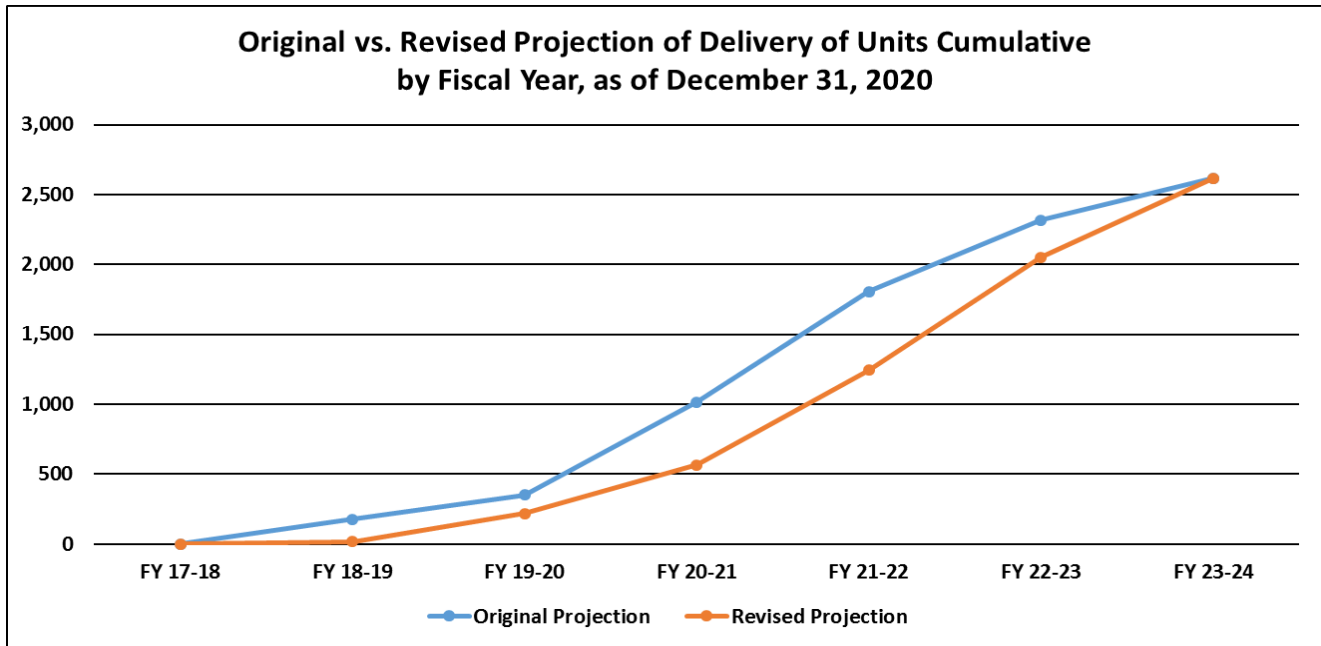
2.5.1 – Housing Developments Milestones

Development and renovation projects prepare timelines with dates for key development milestones to estimate when the project will be completed. Projects submitted revised timelines throughout the course of the projects. Chart 2 and Exhibit 8 outline the development milestones as of December 31, 2020, and compare the initial and revised projected dates to the actual dates of achieving each milestone.

Chart 2 on the following page shows for the Program's committed projects the cumulative number of units to be delivered in each fiscal year from FY 2018-19 through FY 2023-24 based on the original projection dates versus the revised projection dates. The revised projection dates were provided by the Office of Supportive Housing.

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Chart 2



Source: Data provided by the Office of Supportive Housing.

Exhibit 8 on the following pages shows the key development milestones as of December 31, 2020, and presents the initial or revised projected dates and the actual dates of achieving each milestone. The colors in the actual columns indicate the timeliness of the actual milestone dates compared to the projected dates. Green indicates the actual milestone was on time or early; yellow it occurred within 6 months; and red it occurred six months or more after the projected date.

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Exhibit 8

| Development Timeline: Projected vs. Actual Milestones | | | | | | | | | | | |
|---|--|-------------------|---------|------------------------|---------|---------------------|---------|-------------------------|---------|----------------|--------|
| # | Project Name | Land Use Approval | | Securing All Financing | | Construction Starts | | Construction Completion | | 100% Occupancy | |
| | | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual |
| Development Projects | | | | | | | | | | | |
| 1 | Gateway Senior Apartments | 4/2016 | 4/2016 | 11/2017 | 11/2017 | 4/2018 | 9/2018 | 5/2020* | 5/2020 | 7/2020* | 7/2020 |
| 2 | Crossings on Monterey | 1/2016 | 2/2018 | 6/2018 | 5/2018 | 10/2018 | 10/2018 | 10/2019 | 1/2020 | 1/2020 | 1/2020 |
| 3 | Leigh Avenue Senior Apartments | 7/2009 | 7/2009 | 5/2018 | 5/2018 | 8/2018 | 2/2019 | 4/2021* | | 3/2021* | |
| 4 | Villas on the Park | 11/2016 | 11/2016 | 11/2017 | 11/2017 | 3/2018 | 3/2018 | 4/2019 | 10/2019 | 10/2019* | 3/2020 |
| 5 | The Veranda | 6/2017 | 6/2017 | 11/2017 | 12/2017 | 3/2018 | 5/2018 | 4/2019 | 5/2019 | 6/2019 | 6/2019 |
| 6 | Quetzal Gardens | 6/2017 | 6/2017 | 12/2018 | 7/2019 | 1/2019 | 1/2020 | 7/2021* | | 1/2022* | |
| 7 | Sango Court | 7/2018 | 6/2018 | 4/2021* | | 5/2021* | | 5/2022* | | 7/2022* | |
| 8 | Jamesi Village (formerly North San Pedro Apartments) | 12/2011 | 12/2011 | 9/2018 | 9/2018 | 11/2018 | 3/2019 | 9/2021* | | 9/2021* | |
| 9 | Calabazas (formerly Corvin) Apartments | 11/2018 | 1/2019 | 5/2019 | 6/2019 | 9/2019 | 1/2020 | 8/2021* | | 9/2021* | |
| 10 | Page Street Apartments | 9/2018 | 12/2018 | 4/2020* | 4/2020 | 11/2020* | 11/2020 | 9/2022* | | 6/2022* | |
| 11 | Agrihood Senior Apartments | 1/2019 | 1/2019 | 9/2020* | 9/2020 | 3/2021* | | 9/2023* | | 10/2023* | |
| 12 | West San Carlos Housing | 12/2018 | 12/2019 | 4/2021* | | 5/2021* | | 12/2022* | | 1/2023* | |
| 13 | Blossom Hill Housing | 4/2019 | 12/2019 | 5/2021* | | 6/2021* | | 12/2022* | | 1/2023* | |
| 14 | Vela Apartments (formerly Alum Rock Family Housing) | 4/2019 | 1/2020 | 4/2020* | 4/2020 | 11/2020* | 11/2020 | 11/2022* | | 12/2022* | |
| 15 | Roosevelt Park | 2/2019 | 2/2019 | 4/2021* | | 6/2021* | | 6/2023* | | 10/2023* | |
| 16 | Auzerias Apartments | N/A | 6/2018 | 4/2021* | | 5/2021* | | 9/2022 | | 10/2022* | |

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| Development Timeline: Projected vs. Actual Milestones | | | | | | | | | | | |
|---|-------------------------------|-------------------|---------|------------------------|---------|---------------------|---------|-------------------------|---------|----------------|--------|
| # | Project Name | Land Use Approval | | Securing All Financing | | Construction Starts | | Construction Completion | | 100% Occupancy | |
| | | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual |
| 17 | Gallup & Mesa | 11/2019 | 5/2020 | 12/2020* | 12/2020 | 4/2021* | | 5/2022 | | 10/2022* | |
| 18 | 4th and E. Younger Apartments | 6/2020 | 6/2020 | 3/2021 | | 4/2021 | | 6/2022 | | 9/2022* | |
| 19 | Moorpark Apartments | 7/2020 | 8/2020 | 4/2021 | | 6/2021 | | 10/2022 | | 2/2023 | |
| 20 | Bascom Apartments | 2/2021* | | 8/2021* | | 8/2021* | | 11/2022* | | 3/2023* | |
| 21 | Kifer Senior Apartments | 3/2021* | | 6/2021 | | 12/2021* | | 5/2023* | | 8/2023* | |
| 22 | La Avenida Apartments | 6/2021* | | 5/2022* | | 5/2022* | | 12/2023* | | 3/2024* | |
| 23 | Algarve Apartments | 10/2020* | 10/2020 | 4/2021* | | 7/2021* | | 10/2022* | | 12/2022* | |
| 24 | Gateway Tower | 12/2016 | 12/2016 | 10/2021* | | 10/2021 | | 3/2024 | | 1/2025 | |
| Renovation Projects | | | | | | | | | | | |
| 1 | Markham I ** | N/A | N/A | 5/2019 | 5/2019 | 11/2019* | 11/2019 | 10/2020 | 10/2020 | 10/2020 | |
| 2 | Markham II ** | N/A | N/A | 12/2020* | 12/2020 | 11/2020 | | 12/2021* | | 12/2021* | |
| 3 | Curtner Studios | 2/2019 | 2/2019 | 3/2019 | 3/2020 | 9/2019 | 3/2020 | 4/2021* | | 5/2021* | |
| Property Acquisitions | | | | | | | | | | | |
| 1 | Western Motel *** | | | | | | | | | | |
| 2 | Driftwood Drive *** | | | | | | | | | | |
| 3 | Hillview Court *** | | | | | | | | | | |
| 4 | 62 Ferrari Avenue *** | | | | | | | | | | |
| 5 | 92 Ferrari Avenue *** | | | | | | | | | | |
| 6 | 98 Ferrari Avenue *** | | | | | | | | | | |
| 7 | 110 Ferrari Avenue *** | | | | | | | | | | |

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| Development Timeline: Projected vs. Actual Milestones | | | | | | | | | | | |
|---|------------------------------|-------------------|--------|------------------------|--------|---------------------|--------|-------------------------|--------|----------------|--------|
| # | Project Name | Land Use Approval | | Securing All Financing | | Construction Starts | | Construction Completion | | 100% Occupancy | |
| | | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual |
| 8 | 120 Ferrari Avenue *** | | | | | | | | | | |
| 9 | Atlanta Ave. & Hull Ave. *** | | | | | | | | | | |
| 10 | Clayton Avenue *** | | | | | | | | | | |
| 11 | Almaden Road *** | | | | | | | | | | |
| 12 | 330 Distel Circle *** | | | | | | | | | | |
| 13 | Casa de Novo *** | | | | | | | | | | |

Source: Data provided by the Office of Supportive Housing.

Green indicates the actual date of the action occurred ahead of or on schedule with the revised projected date.

Yellow indicates the actual date of the action occurred later than the revised projected date, but within six months of the revised projected date; or no action has occurred within six months of the revised projected date.

Red indicates the actual date of the action occurred more than six months after the revised projected date; or no action has occurred more than six months after the original projected date.

* Original project dates were revised.

** Markham I and II are projects that have previously been constructed. The Program's commitment would contribute to the preservation and improvement of existing ELI housing and result in new PSH units.

***These projects are not in the housing development phase yet; and therefore, these dates are not applicable.

2.5.2 – Significant Activities by Housing Development

Several milestones were achieved during the second quarter of FY 2020-21 (October 1, 2020 through December 31, 2020): Algarve Apartments obtained land use approval, Gallup & Mesa secured all financing, Page Street Apartments and Vela Apartments (formerly Alum Rock Family Housing) began construction, and Markham I completed construction. Below are highlights of significant activity by project as of the end of the second quarter of FY 2020-21, shown in Exhibit 8 on the previous pages:²³

- Leigh Avenue Senior Apartments
 - Missed its initial goal to complete construction by February 2020. The revised construction completion target date is April 2021.
- Quetzal Gardens
 - Missed its initial goal to begin construction by January 2019. Construction started in January 2020 with a revised completion target date of July 2021.
- Sango Court
 - Missed its initial goal to secure all financing by December 2018, and is still working to secure all financing with a revised target date of April 2021.
 - Missed its initial goal to begin construction by March 2019; the revised target date is May 2021.
 - Submitted financing applications for a 4 percent tax credit in June 2020 and September 2020, but was not awarded. Submitted another application in February 2021, with expected award date in April 2021.
- Jamesi Village (formerly North San Pedro Apartments)
 - Missed its initial goal to complete construction by July 2020. The revised construction completion target date is September 2021.
- Calabazas (formerly Corvin) Apartments
 - Missed its initial goal to begin construction by September 2019, but started construction in January 2020. The revised construction completion target date is August 2021.
- Page Street Apartments
 - Missed its initial goal to begin construction in August 2019, but started construction in November 2020. The construction completion target date is September 2022.
- Agrihood Senior Apartments
 - Missed its initial goal to begin construction by February 2020. The revised construction start target date is March 2021.
- West San Carlos Housing
 - Missed its initial goal to secure all financing by June 2019, and is still working on securing all financing. The revised target date is May 2021.
 - Submitted financing applications for a 4 percent tax credit in January, June and September 2020; however, an award was not received. Submitted another application in February 2021, with expected award date in April 2021.
 - Missed its initial goal to begin construction by January 2020. The revised construction start target date is May 2021.

² Project status information provided by the Office of Supportive Housing.

³ Statements in bold font were added or changed in this report.

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- Blossom Hill Housing
 - Missed its initial goal to secure all financing by July 2019, and is still working on securing all financing. The revised target date is May 2021.
 - Submitted a financing application for a 4 percent tax credit in September 2020, and was awarded in December 2020.
 - Missed its initial goal to start construction by December 2019, with a revised target date of June 2021.
- Vela Apartments (formerly Alum Rock Family Housing)
 - Missed its initial goal to begin construction in January 2020, but began construction in November 2020. The construction complete target date is November 2022.
- Roosevelt Park
 - Missed its initial goal to secure all financing by March 2020. The revised target date is April 2021.
 - Working on submitting a financing application for a 4 percent tax credit due February 2021.
- Auzerias Apartments
 - Missed its initial goal to secure all financing by November 2020. The revised target date is April 2021.
 - Submitting a financing application for a 4 percent tax credit in February 2021, with expected award date in April 2021.
 - Missed its initial goal to begin construction by December 2020. The revised target date is May 2021.
- Gallup and Mesa
 - Missed its initial goal to secure all financing by October 2020, but secured in December 2020.
 - Missed its initial goal to begin construction by October 2020. The revised target date is April 2021.
- Bascom Apartments
 - Missed its initial goal to obtain land use approval by August 2020. The revised target date is February 2021.
 - Submitted planning application to City of San Jose and approval is anticipated by February 2021.
 - Submitting a financing application for a 4 percent tax credit in May 2021, with expected award date in August 2021.
- Kifer Senior Apartments
 - Missed its initial goal to obtain land use approval by August 2020. The revised target date is March 2021.
 - Submitted planning application to City of Santa Clara and approval is anticipated by March 2021.
 - Submitting a financing application for a 4 percent tax credit in March 2021, with expected award date in June 2021.
- La Avenida Apartments
 - Missed its initial goal to obtain land use approval by December 2020. The revised target date is June 2021.
 - Submitting a planning application to the City of Mountain View which is expected to be completed in April 2021.
- Algarve Apartments
 - Missed its initial goal to obtain land use approval by June 2020, but final entitlements were received in October 2020.
 - Missed its initial goal to secure all financing by October 2020. The revised target date is March 2021.
 - Missed its initial goal to begin construction by November 2020. The revised target date is July 2021.
- Markham I
 - Met its goal to complete construction of the rehab units by October 2020.

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- Markham II
 - Missed its initial goal to secure all financing by May 2019, and is still working to secure all financing.
 - Submitted a financing application for a 4 percent tax credit in September 2020, and was awarded in December 2020.
 - Missed its initial goal to begin construction by September 2019, the revised target date is April 2021.
 - Missed its initial goal to complete construction by October 2020. The revised target date is December 2021.
- Curtner Studios
 - Missed its initial goal to complete construction by December 2020. The revised target date is April 2021.

SECTION 3 – AFFORDABLE HOUSING LOAN PROGRAMS

In addition to housing developments and property acquisitions, the Program has also committed funds to the First-Time Homebuyer Assistance Program and the Housing Trust Silicon Valley – Supportive Housing Fund, which are discussed in this section.

3.1 – First-Time Homebuyer Assistance Program (Empower Homebuyers)

On June 5, 2018, the County Board of Supervisors approved \$25 million of Measure A funds to finance a new, first-time homebuyer down payment loan program. The First-Time Homebuyer Assistance Program is administered through a partnership between the County's Office of Supportive Housing and the Housing Trust Silicon Valley (HTSV) and is called Empower Homebuyers. Of the \$25 million, \$23.5 million will be used to fund loans; and \$1.5 million will be used for expenditures associated with the administration of the loan program, including program administration, outreach activities, educational workshops for first-time homebuyers, underwriting, and loan origination. The funds will assist approximately 235 households over the first five years of the program by providing deferred loans for down payments of up to 17% of a home's purchase price. The loan will be subordinate to the first mortgage. The program does not require monthly principal or interest payments. Borrowers will repay the principal loan amount plus a share of the appreciation, based on the percentage of the loan borrowed. Payments will be deferred until the earlier of the maturity date of the loan, the sale of the home, or a refinance of the first mortgage.

In accordance with the Office of Supportive Housing's agreement with HTSV for the administration of the loan program, HTSV monitors the number of applicants that apply for a Measure A funded loan. HTSV maintains statistics for six different stages of the loan process as defined below:

- Intake Applications: This is the pre-screening of applicants to determine whether applicants are eligible for the loan program (review income, confirm first-time homebuyer status, and review credit history).
- Applications: Only the applicants that make it through the pre-screening in the intake application phase are able to submit an Empower program eligibility application that includes required documentation such as a senior lender pre-approval letter by an interested applicant during a face-to-face appointment with HTSV staff.
- Pre-Approvals: Completion of underwriting and determination of program eligibility for the applicant. A program pre-approval letter will be provided to verify program eligibility that includes a 90-day expiration date. Includes a one-time underwriting review after the 90-day expiration and reissuance of the program eligibility for 90 days.
- Purchase Loan Application: Submission of the purchase loan application and accompanying purchase transaction documents after acceptance of a purchase sale agreement for selected property. Begin the preparation of program loan documents and escrow instructions. Funding and recording of purchase loan.
- Closed: Successful funding and the creation of a new loan. Recorded legal documents are received.
- Cancelled: Applicant failed to provide required documentation for the program within 30 days of submission of application.
- Withdrawn: Applicant decides to withdraw the application.
- Denied: Applicant fails to meet required eligibility requirements for the program.

On the following page, Exhibit 9 provides an overview of the application statistics for the six stages of the loan process described above for the second quarter of FY 2020-21.

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Exhibit 9

| Empower Homebuyers Application Statistics By Quarter of FY 2020-21 | | | | | | |
|---|----------------------------|---------------------|----------------------|----------------------------------|----------------|-----------------------------------|
| Quarter | Intake Applications | Applications | Pre-Approvals | Purchase Loan Application | Closed* | Cancelled/Withdrawn/Denied |
| Q2 | 341 | 18 | 10 | 2 | 1 | 12 |

Source: Data provided by the Office of Supportive Housing.

*There may be timing differences between when a loan is closed and when it is funded.

HTSV received their first intake applications in September 2018, and Empower Homebuyers officially launched November 20, 2018. Empower Homebuyers began funding loans in the second quarter of FY 2019-20, and to-date has purchased a total of 21 loans for \$2,372,740. Exhibit 10 provides a summary of the funds expended for the administration of the loan program and total program funds expended to-date. Of the \$25 million committed to Empower Homebuyers, \$2.90 million was expended to-date for the purchase of loans and administration of the loan program. Empower Homebuyers expended \$77,001 during the second quarter of FY 2020-21 for the administration of the loan program. 8 loans were purchased (funded) during the second quarter of FY 2020-21 for \$820,760.

Exhibit 10

| Empower Homebuyers Funds Expended By Quarter of FY 2020-21 | | | | | | |
|---|--|--|--|--|-------------------------------------|--------------------------|
| Administration of Program | | | Funding of Loans | | Total Empower Funds Expended | |
| Quarter | Program Funds Expended During Quarter | Total Program Funds Expended to-date* | Program Funds Expended During Quarter | Total Program Funds Expended to-date* | Expended during the Quarter | Expended to-date* |
| Q2 | \$ 77,001 | \$ 524,668 | \$ 820,760 | \$ 2,372,740 | \$ 897,761 | \$ 2,897,408 |

Source: Data provided by the Office of Supportive Housing.

* Total program funds expended to-date from the inception of the Empower Homebuyers through the second quarter of FY 2020-21, which ended December 31, 2020.

3.2 – Housing Trust Silicon Valley (HTSV) – Supportive Housing Fund (SHF)

In June 2015, the County Board of Supervisors approved \$5 million in lending capital ("County Contribution") to the Supportive Housing Fund (SHF) to make predevelopment loans for the creation and preservation of permanent housing with supportive services for extremely low-income individuals and families, and those with special needs. In addition, in June 2015, the County Board of Supervisors entered into a memorandum of understanding (MOU) with Housing Trust Silicon Valley (HTSV) to administer the SHF to make loans to qualified developers.

On April 11, 2017, the County Board of Supervisors entered into an amended MOU with HTSV to augment the County's contribution to the SHF by an additional \$11.9 million to make predevelopment loans in accordance with the 2016 Measure A Affordable Housing Bond. This additional contribution to SHF was initially funded through the County's general fund, with the intent to be repaid by Measure A bond funds once the bonds were issued. The 2016 Measure A Affordable Housing Bond, which was approved by the voters of Santa Clara County,

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authorizes the County Board of Supervisors to provide affordable housing for vulnerable populations including veterans, seniors, the disabled, low and moderate income individuals or families, foster youth, victims of abuse, the homeless, and individuals suffering from mental health or substance abuse illness.

The amended MOU stipulates that the use of the \$11.9 million funded by Measure A shall be used only for the purposes authorized by Measure A. The MOU further states that HTSV will provide the County with an annual summary report on all SHF's disbursed funds, including demographic information collected. HTSV shall also provide the County with a report showing the amount of funds expended and the status of any project required or authorized to be funded with sufficient detail that is needed for the completion of an annual report and to ensure compliance with Measure A. Upon termination of the MOU, HTSV is to return to the County and County Contributions (including Measure A contributions) funds that have never been committed to a revolving loan through the SHF to the County no later than 30 days from the date of termination, expiration, or cancellation of the MOU. After termination, expiration, or cancellation of the MOU, any loan repayments received by HTSV must continue to be used for the intent and purpose of the SHF.

The SHF is a revolving loan fund, which uses Program funds to continuously provide predevelopment loans to qualified Program housing developments. SHF provides new loans using the funds received from the repayments of its loans. As shown in Exhibit 11 below, as of the second quarter of FY 2020-21, SHF had provided pre-development loans to nine Program housing developments totaling \$21,890,570. Six of the housing developments had repaid the loans, and three of the housing developments have loans outstanding totaling \$8,645,570. No new loans were provided during the second quarter of FY 2020-21.

Exhibit 11

| Housing Trust Silicon Valley (HTSV) – Supportive Housing Fund (SHF) Pre-development Loans to Program Housing Developments | | |
|--|----------------------|---------------|
| Project Name | Program Funds | Status |
| Calabazas (formerly Corvin) Apartments | \$ 5,000,000 | Paid Off |
| Leigh Avenue Senior Apartments | 1,875,000 | Paid Off |
| Markham I | 1,300,000 | Paid Off |
| Quetzal Gardens | 2,145,000 | Paid Off |
| Roosevelt Park | 2,425,000 | Paid Off |
| Villas on the Park | 500,000 | Paid Off |
| 4th and E. Younger Apartments | 3,915,750 | Outstanding |
| Kifer Senior Apartments | 3,734,820 | Outstanding |
| Markham II | 995,000 | Outstanding |
| Total Outstanding | \$ 8,645,570 | |
| Total Predevelopment Loans | \$21,890,570 | |

Source: Data provided by the Office of Supportive Housing.

SECTION 4 – GENERAL OBLIGATION BONDS

On November 9, 2017, the County issued the 2017 Series A Housing General Obligation Bonds in the amount of \$250 million. The total cost of the bonds is projected to be \$321.38 million, including \$71.38 million in interest. Interest on the bonds is payable semi-annually on February 1st and August 1st, and the principal is payable annually on August 1st. The 2017 Series A Housing General Obligation Bonds fully mature in 30 years on August 1, 2047. Exhibit 12 below details the amount of bonds issued, the cost of the bonds, total interest payable, total amount paid on the bonds through December 31, 2020, and the amount left to pay on the bonds as of September 30, 2020. Exhibit 13 details the amount of principal and interest paid during the second quarter of FY 2020-21, October 1, 2020 through December 31, 2020.

Exhibit 12

| 2017 Series A Housing General Obligation Bonds | | | | |
|--|----------------------|---------------------------------|---|--|
| Amount of Bonds Issued | Total Cost of Bonds* | Total Interest Payable on Bonds | Total Amount Paid Through December 31, 2020 | Total Amount Left to Pay as of December 31, 2020 |
| \$250,000,000 | \$321,376,386 | \$71,376,386 | \$171,993,872 | \$149,382,514 |

Source: Data provided by the County Finance Agency.

* This is the total cost of the bonds (principal and interest) over the 30 years that the bonds will be outstanding.

Exhibit 13

| 2017 Series A Housing General Obligation Bonds Activity Amounts Paid During the Second Quarter of FY 2020-21 | | | |
|---|----------------|---------------|--------------------|
| Quarter | Principal Paid | Interest Paid | Total Debt Service |
| Q2 | \$0 | \$0 | \$0 |

Source: Data provided by the County Finance Agency.

The total interest cost for the 2017 bonds issued was 3.199%. The range of interest rates is dependent upon the type and duration of the bonds. The serial bonds that mature through 2032 range from 1.65% to 3.24%. The term bonds, which are due in 2037 and 2047, have interest rates of 3.43% and 3.55%, respectively. The staff report to the Board of Supervisors requesting approval for the bonds estimated an interest rate of 4.35%. The 2017 bonds were issued (sold) in a competitive sale in which the pricing (interest rates) were well under and better than staff's estimate due to market conditions, the timing of issuance, and the strong ratings assigned to the bonds. The bonds were rated AAA and AA+, respectively, by two of the national rating agencies, Standard and Poor's (S&P) and Fitch Ratings, Inc. (Fitch).

The 2017 bonds were structured to maximize the tax rate in order to pay down as much of the debt service costs as possible in the first three years. Therefore, the Program cannot add additional debt until after the 2020 principal payment is made.

The date for the next bond issuance is expected to be in May 2021. A new bond issuance is anticipated to occur in May 2021, due to the estimate that the current proceeds will have been completely (or close to completely) spent by May 2021.

Draft Performance Dashboard / Website Snapshot

Program Overview

On November 8, 2016, the people of the County of Santa Clara approved Measure A, a proposition authorizing the County to issue up to \$950 million in general obligation bonds to acquire or improve real property for the purpose of providing affordable housing for vulnerable populations throughout the County. The following are highlights about the Measure A Program (Program):

- Program funds are targeted to help construct 4,800 units of affordable housing, in addition to assisting about 235 families to secure loans to finance their first homes.
- In October 2017, after adopting a range of program guidelines over the use of Program funds, the County issued its first bond tranche of \$250 million.
- As of December 31, 2020, the Program has committed \$499.35 million, of which \$25 million is committed to the first-time homebuyer loan program, \$11.9 million has been committed to a Supportive Housing Fund for predevelopment loans, and \$462.45 million has been committed to 40 housing projects.
- These housing projects are in the process of adding 2,368 units of affordable housing included in the County's housing goals, and an additional 323 units of low-income housing and 80 units of moderate-income housing that are not addressed in the Program's housing goals (as discussed in the Housing Program Goals section below).
- As detailed in the program overview dashboard below, this means that 52.56 percent of all bond proceeds are financing the development of 49.33 percent of the Program's housing goals.
- In addition, for every dollar invested by the Program, the Program incentivizes an average of \$2.77 from outside investments (Public/Private Leveraging Ratio).

Use of Bond Proceeds

The dashboards below provide details on the estimated cost share per unit and housing development, sources of funding by housing development, and actual expenditures to-date. As of December 31, 2020, we provide the following highlights:

- The Program has committed \$462,452,913 to 40 housing projects, with individual commitments ranging from \$1 million (The Veranda) to \$53 million (Gateway Tower).
- When looking at the estimated cost per unit of housing, the Program has committed anywhere from \$45,752 per unit (Markham I) to \$210,938 per unit (Leigh Avenue Senior Apartments), with an average cost share of \$149,516 per unit of housing.
- Although \$462.45 million has been committed by the Program for these 40 housing projects to-date, \$188.35 million has been actually expended to-date.

Housing Program Goals

Program housing goals aim to create 4,800 units of affordable housing. As of December 31, 2020, Program funds committed to date are projected to finance 49.33 percent of the Program's total affordable housing goal. Based on the Program's funding commitments through December 31, 2020, the status of housing development goals by type of housing are as follows:

- Helping to finance 85.44 percent of the Permanent Supportive Housing (PSH) goal.
- Helping to finance 5.06 percent of the Rapid Rehousing (RRH) goal.
- Helping to finance 41.25 percent of the Extremely Low-Income (ELI) housing goal.
- Helping to finance 69.83 percent of the Very Low-Income (VLI) housing goal.
- There are 323 units of Low-Income (LI) housing incorporated into the current housing projects; however, the Program has no stated goal for this category of housing.
- There are 80 units of Moderate-Income (MI) housing incorporated into the current housing projects; however, the Program has no stated goal for this category of housing.

The dashboards below provide detail on the number of units in development by housing type, as well as how each housing development contributes to each housing goal.

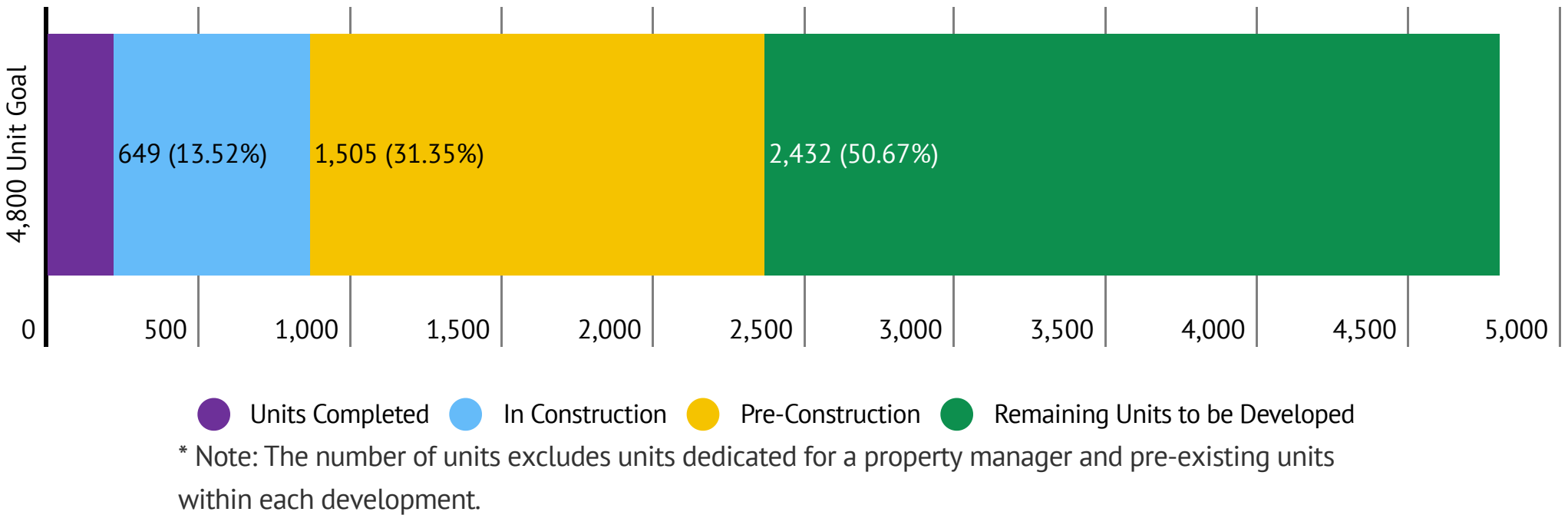


Measure A 2016 Affordable Housing Bond Program

A high level summary of Measure A key financial and program performance metrics as of December 31, 2020.

Affordable Housing Development Goal

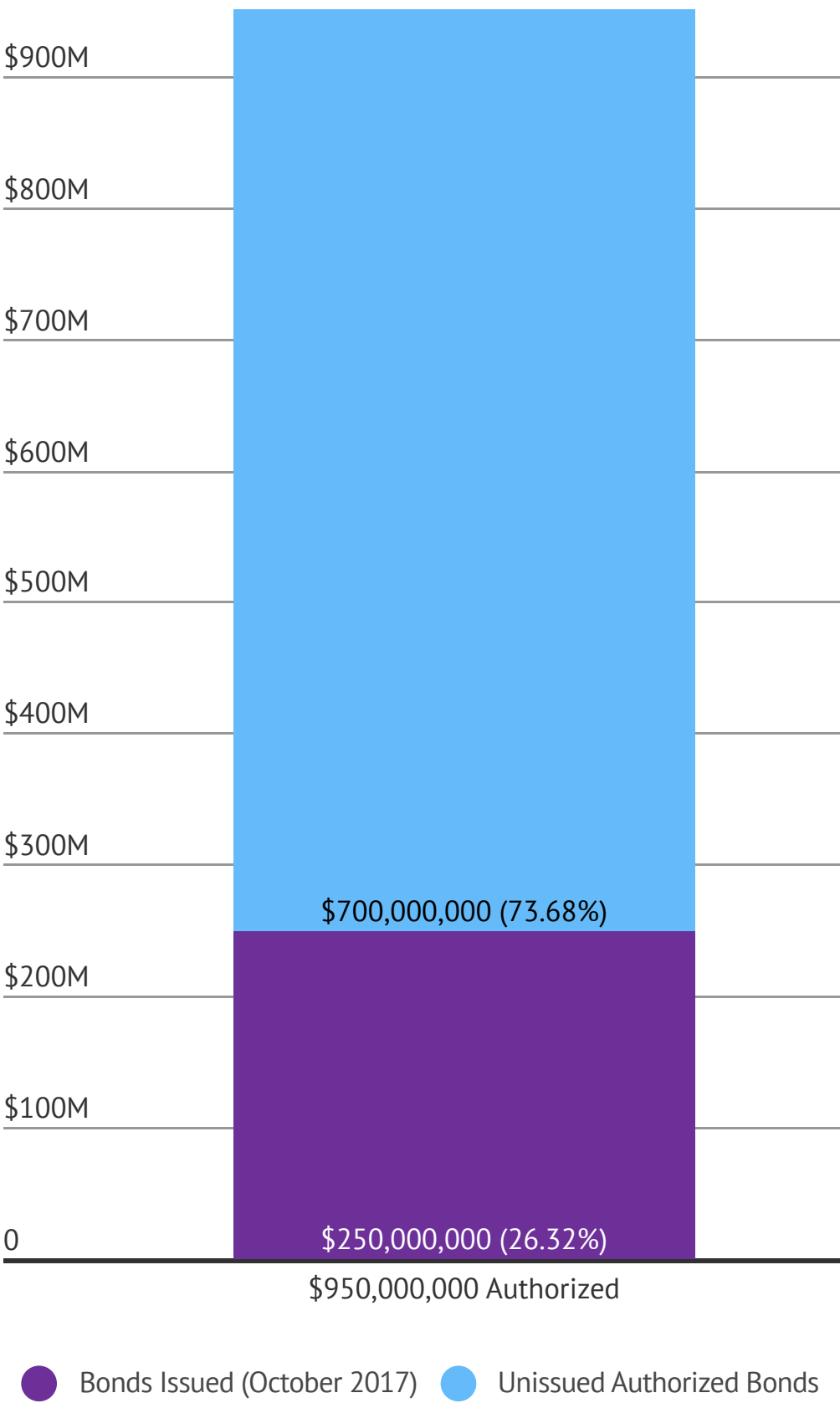
The affordable housing development goal of Measure A is to build 4,800 units of affordable housing within Santa Clara County starting November 2016 and over approximately 10 years. As of December 31, 2020, a total of 2,368 affordable housing units were committed for development.



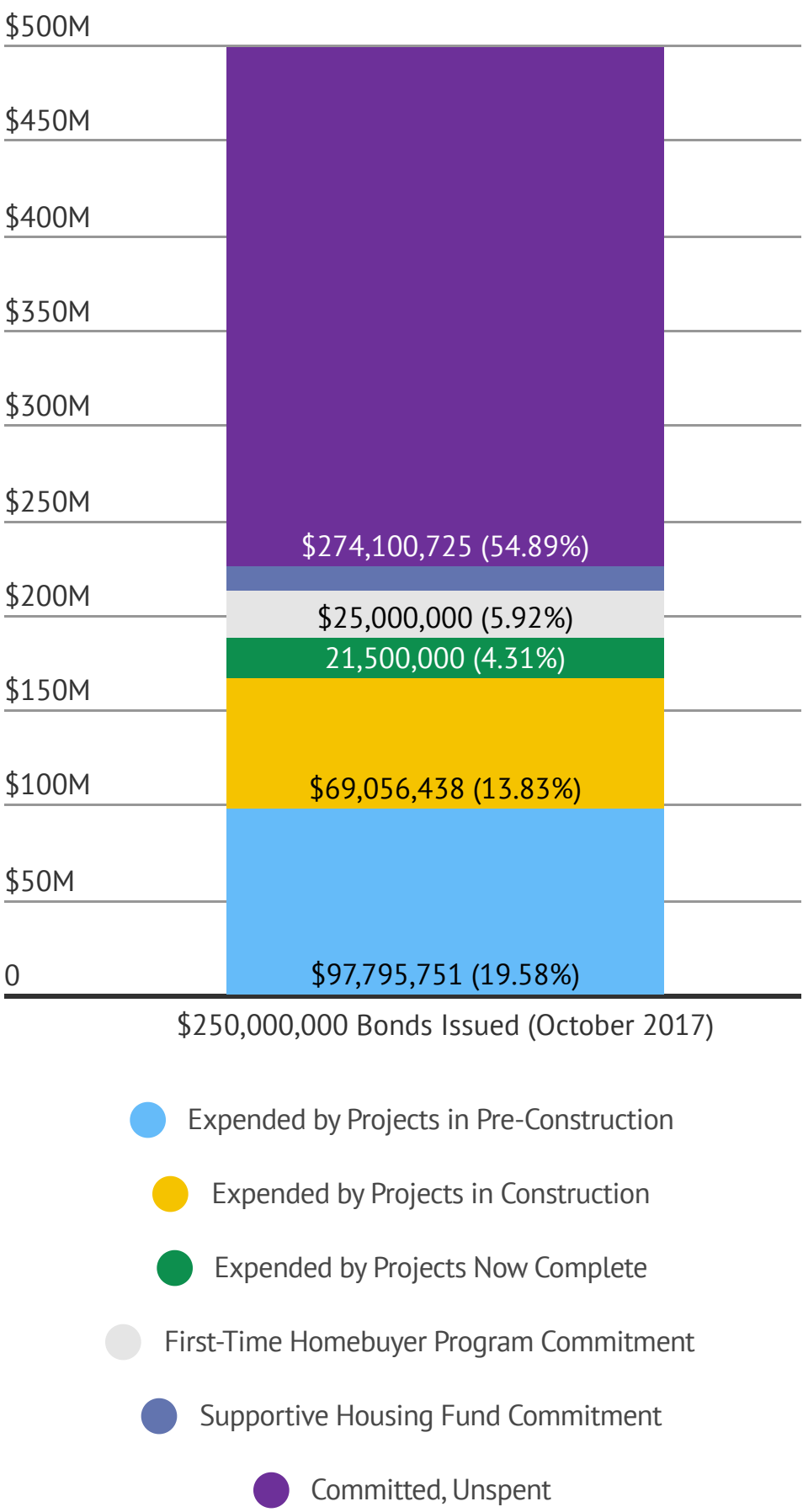
Measure A Affordable Housing Bonds

The graph below on the left indicates Measure A's approval of \$950 million in affordable housing bonds, of which \$250 million have been issued to date. The graph below on the right indicates the status of the \$250 million issued to date. The County Board of Supervisors approved committment of funds that exceed the \$250 million in bonds issued to date, however those funds are not anticipated to be expended before the issuance of future Measure A bonds.

Authorized vs. Issued Housing Bonds

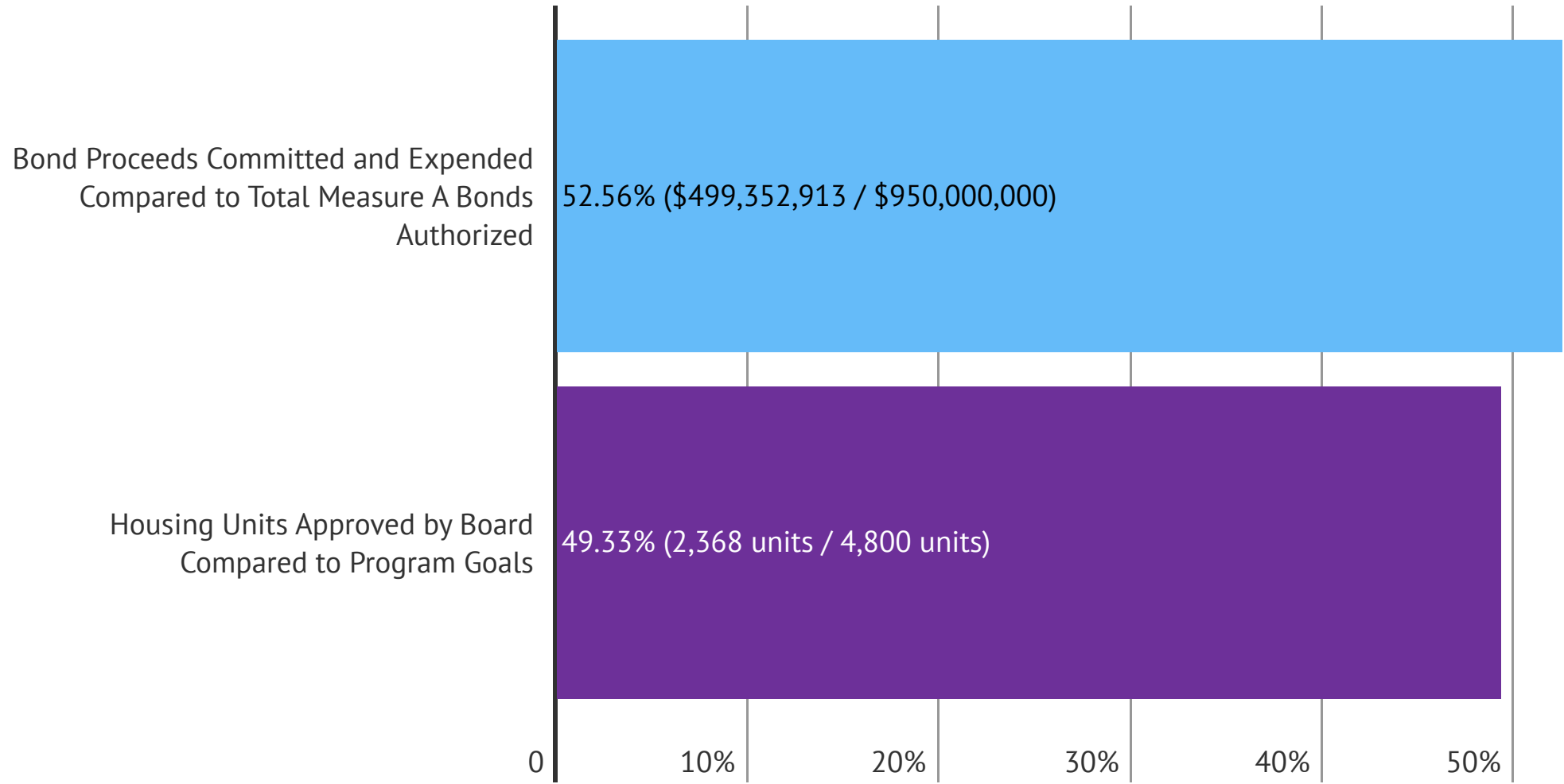


Program Funds Committed



Key Performance Results:

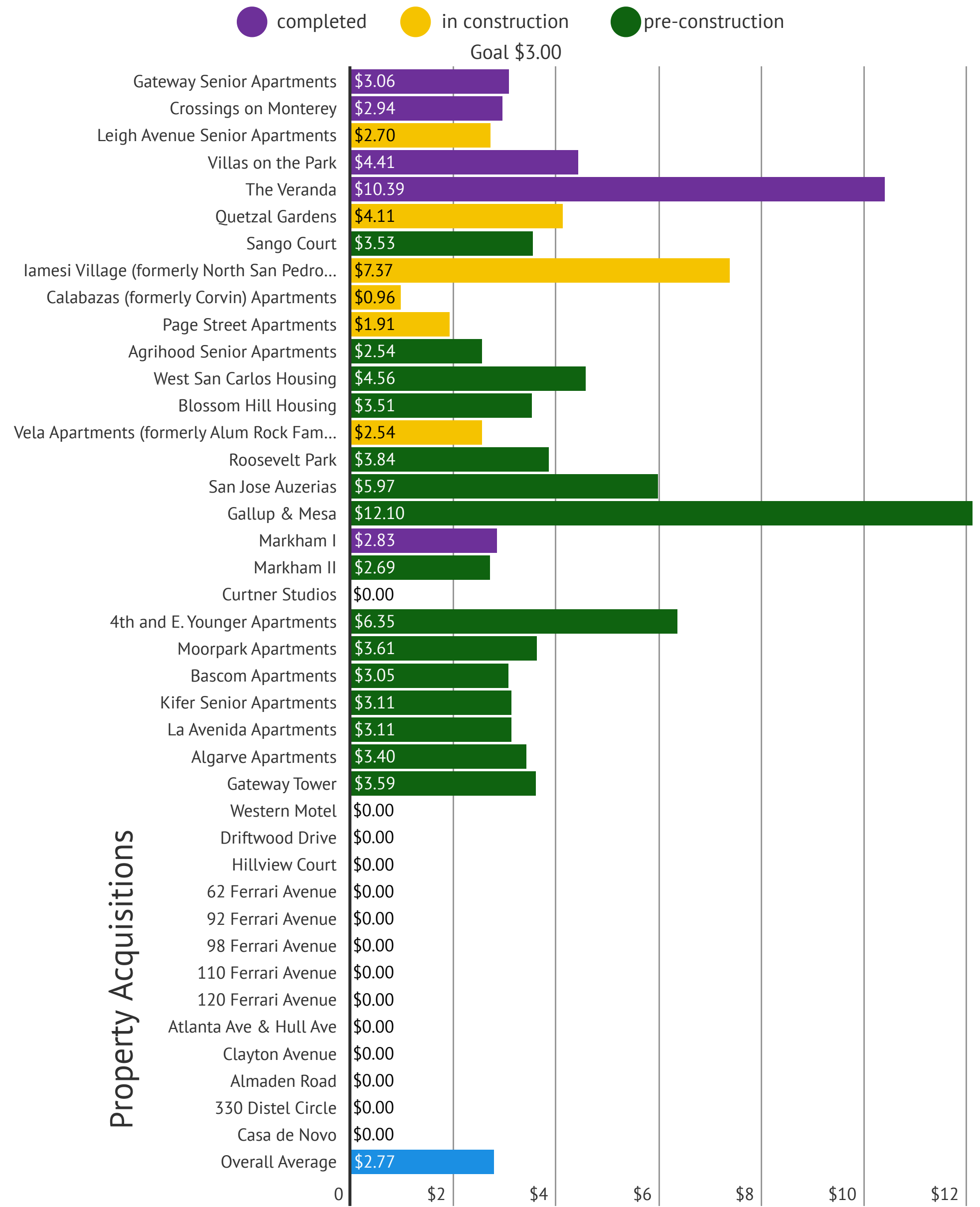
Bond Proceeds Committed vs Housing Units Approved



The chart above indicates that, as of December 31, 2020, the rate in meeting the affordable housing development program goals exceeds the pro rata share of Measure A bond funds committed.

Measure A Leveraging Ratio

The chart below shows the leveraging ratio from outside sources for every \$1 of Measure A funding committed to date per affordable housing development project. Measure A funds must be leveraged at a 1:3 ratio, which is, for every one dollar invested by the Measure A Program, there are \$3.00 available from non-Measure A funds.

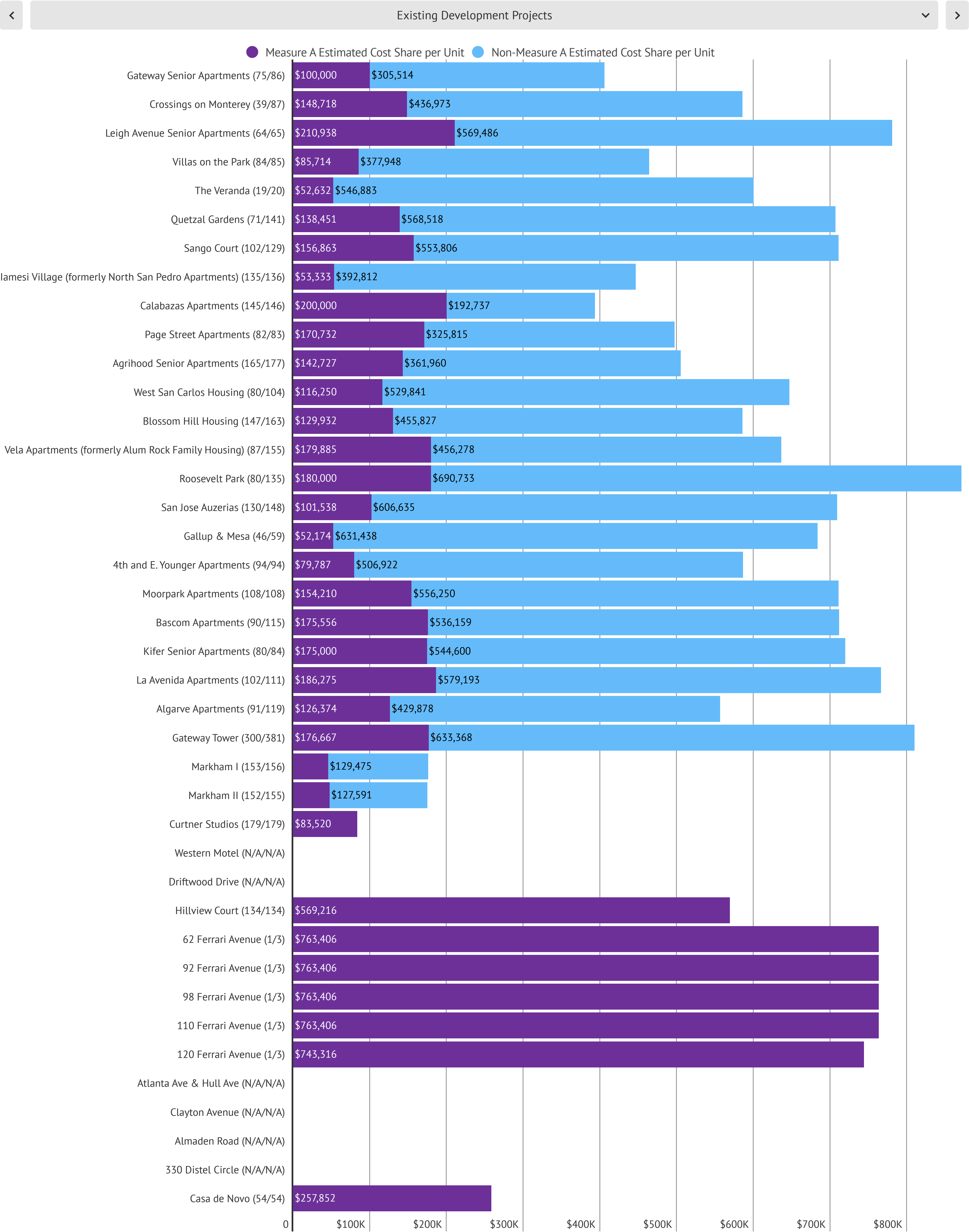


The property acquisitions (Western Motel through Casa de Novo) were 100% financed by the Program and therefore the leveraging ratio is \$0.00.

Estimated Cost Share Per Unit

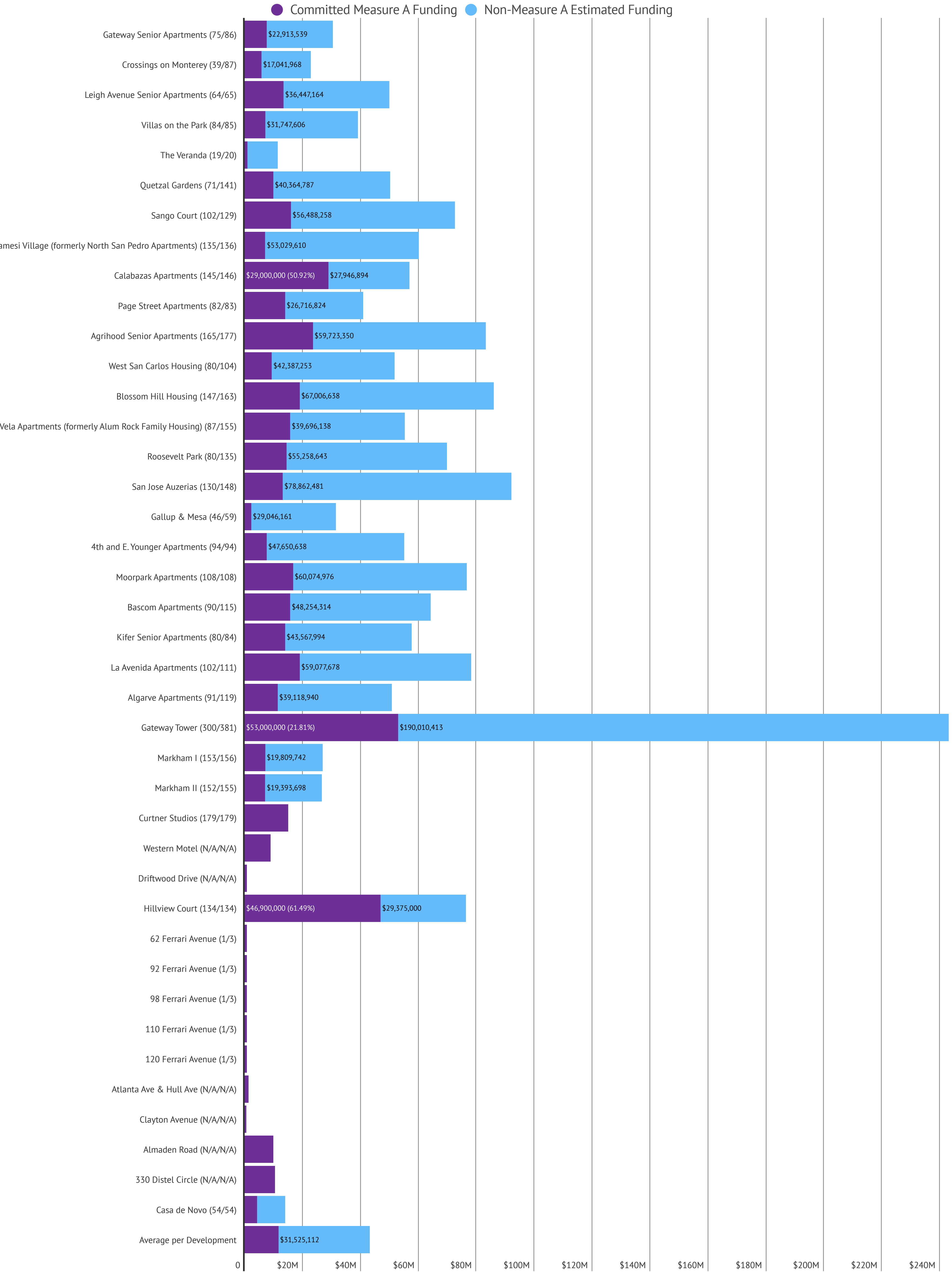
For information on the location of each housing project, use the arrows within the title bar to navigate to listings of the housing projects organized by city. Only cities with existing Measure A Program housing projects are included.

Development (Number of Units / Bedrooms)

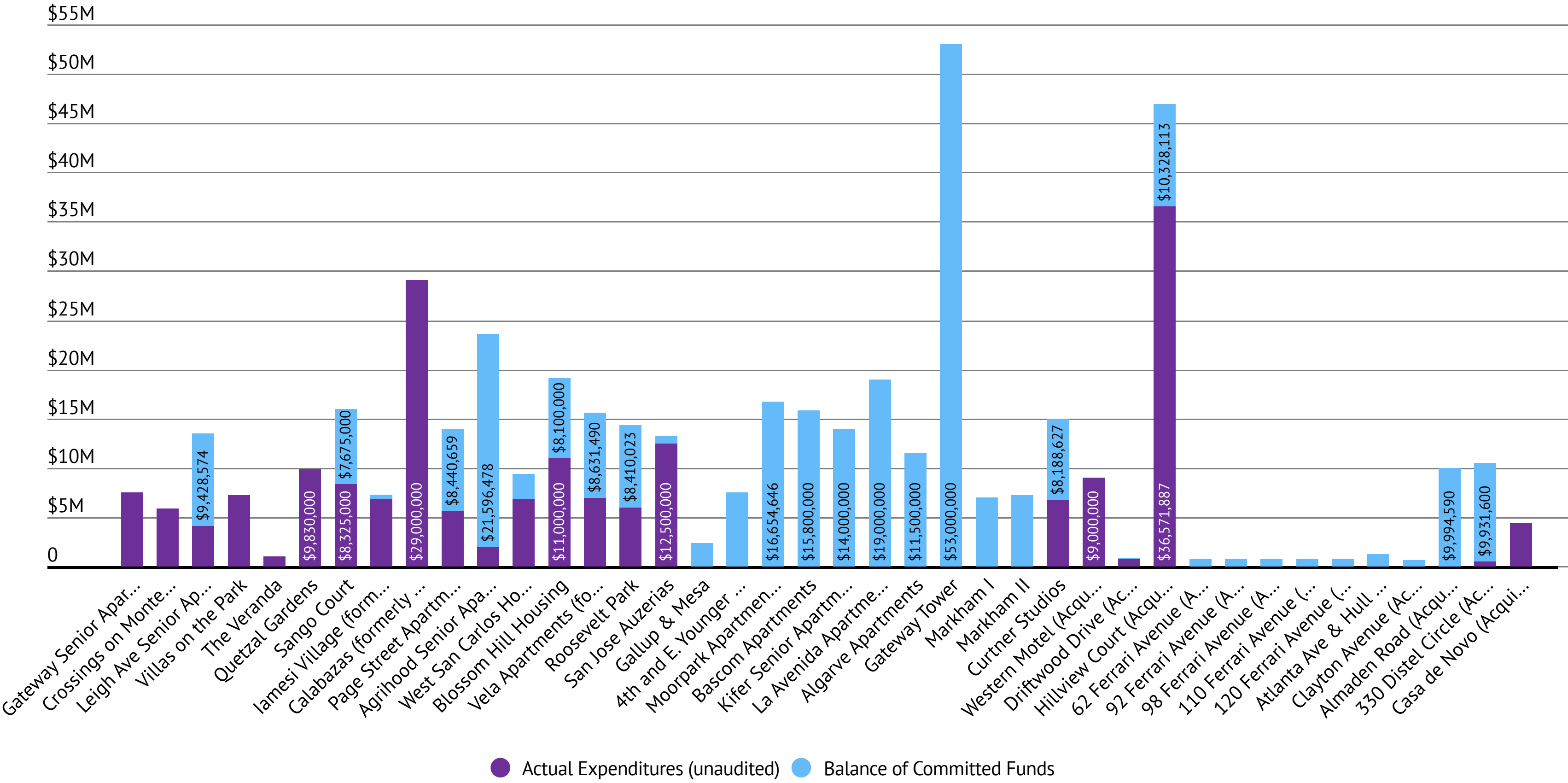


Sources of Funding for Developments

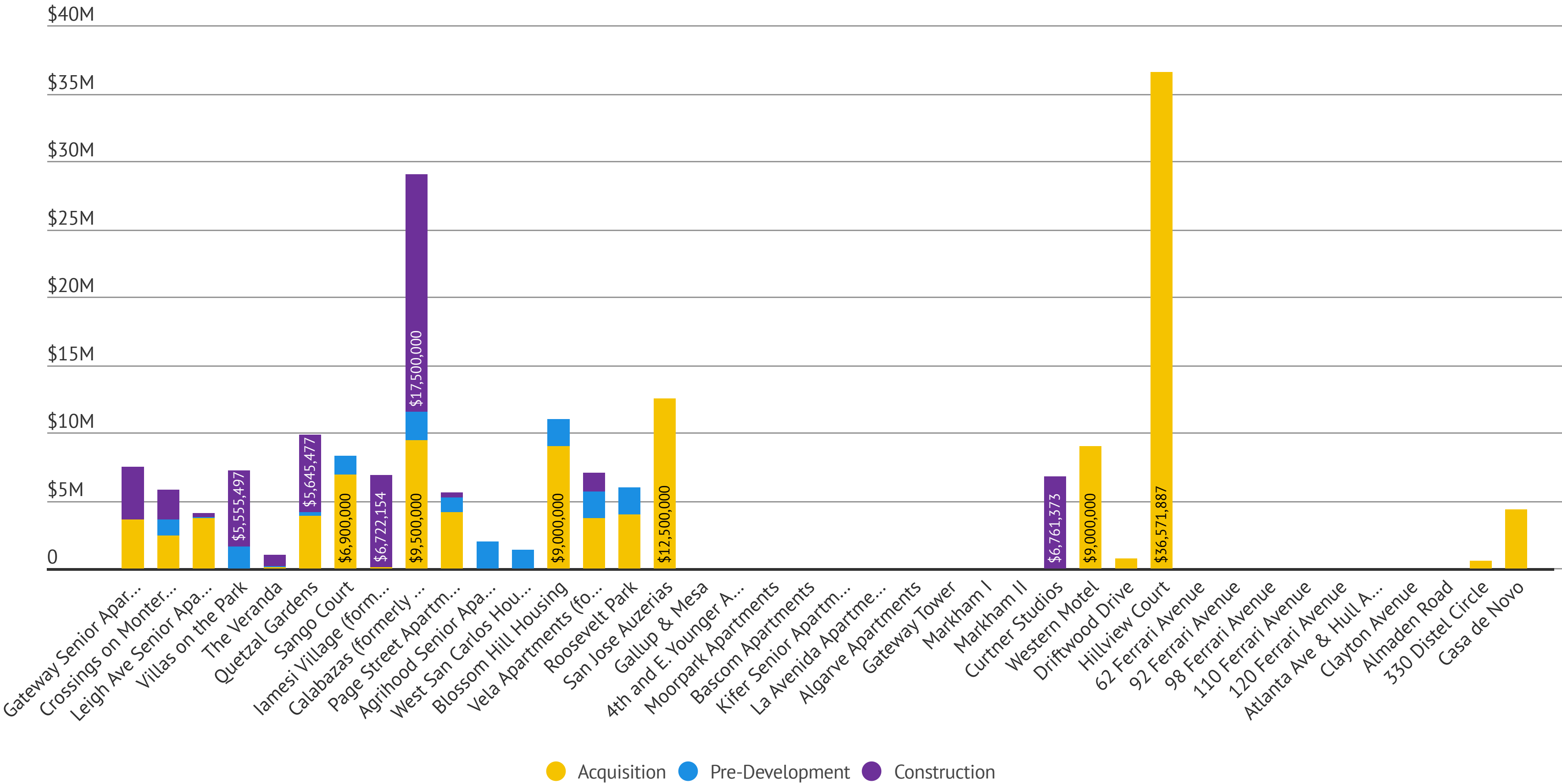
Development (Number of Units/Bedrooms)



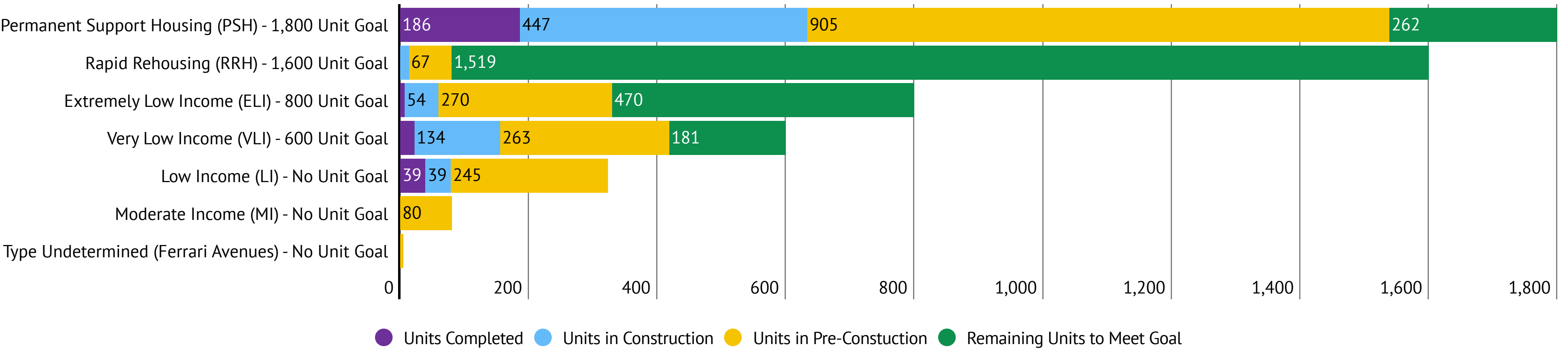
Measure A Funds Committed vs Expended
by Affordable Housing Development Project



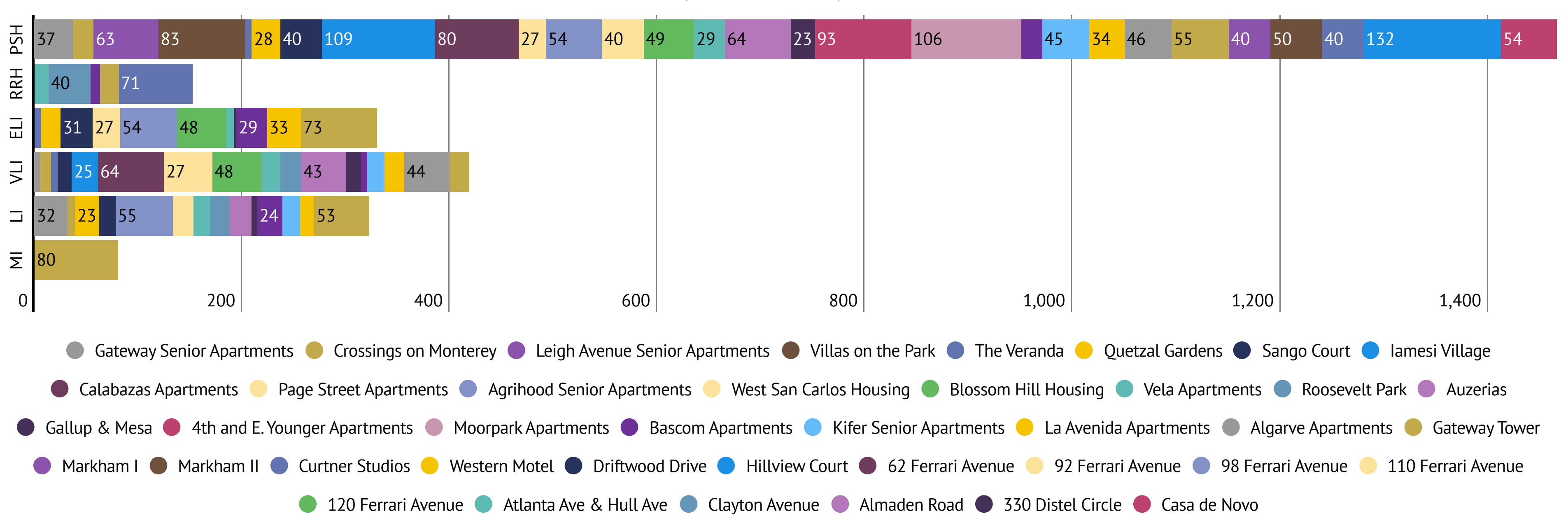
Measure A Expenditures for Affordable Housing Projects by
Development Cost Category



Housing Goals by Affordable Housing Category
(Number of Units)



Housing Projects by Affordable Housing Category
(Number of Units)



March X, 2021

Board of Supervisors
County of Santa Clara
70 W. Hedding Street, 10th Floor, East Wing
San Jose, CA 95110

Subject: Citizen's Oversight Committee's Measure A 2016 Affordable Housing Bond Program
Independent Advisor's Second Quarter Report for Fiscal Year 2020-2021

Dear Board of Supervisors:

Please find attached the following documents for your review prepared by Macias Gini & O'Connell LLP (MGO) and approved by the Measure A 2016 Affordable Housing Bond Program (Program) Citizen's Oversight Committee (Committee) at their March 18, 2021 meeting:

- County of Santa Clara Citizen's Oversight Committee's Measure A 2016 Affordable Housing Bond Program Independent Advisor's Quarterly Report, Second Quarter Fiscal Year 2020-2021
- Performance Dashboard/Website Snapshot
- Financial Audit Report, Fiscal Year 2019-20

Additionally, during their March 18, 2021 meeting, the Committee requested that we transmit and reiterate their message to the Board of Supervisors regarding the Program.

Message to the Board of Supervisors

The Program has not been effective in accomplishing its mission of providing affordable local housing for vulnerable populations within Santa Clara County due to the slowness in which it has delivered new affordable housing units. While the Program has committed \$499.35 million to 40 different housing projects as of December 31, 2020, it has only completed four development projects and one renovation project delivering 214 affordable housing units to date.

There are a number of issues that have contributed to the Program's delay in providing affordable housing units, such as the following:

1. Projects experienced delays in obtaining land use approval due to ineffective processes at the cities granting land use approval. As of December 31, 2020:
 - a. 12 of the 24 development projects experienced delays in obtaining land use approval ranging from one month to over two years.
 - b. 3 of the 12 delayed development projects (Bascom Apartments, Kifer Senior Apartments, and La Avenida Apartments) were still in the land use approval phase, missed their initial goals to obtain land use approval, and continued to experience delays in obtaining land use approval.

2. Projects experienced delays in securing all financing. As of December 31, 2020:
 - a. 15 of the 27 development and renovation projects experienced delays in securing all financing ranging from one month to over two years.
 - b. 4 of the 15 delayed projects (Calabazas Apartments, Vela Apartments, Gallup & Mesa, and Algarve Apartments) were caused by delays in land use approval.
 - c. An additional impediment to securing all financing is that the projects are no longer being awarded the “four percent tax credit” (tax credit), which is not automatically awarded to affordable housing projects. Due to the high cost of development in Santa Clara County, the Program’s projects are not competitive statewide, which is affecting the scoring and awarding of the tax credits. For example, Sango Court and West San Carlos had submitted applications for tax credits 3 and 4 times, respectively.
3. Projects experienced delays in construction start and completion due to delays in securing all financing. As of December 31, 2020:
 - a. 17 of the 27 development and renovation projects experienced delays in construction start and completion.
 - b. 12 of those 17 delayed projects were caused by delays in securing all financing.
 - c. COVID-19 and multiple shelter-in-place orders have caused delays for projects, especially projects in construction or starting construction due to supply-chain issues and labor challenges due to social distancing requirements.

The County’s Office of Supportive Housing foresees the delays affecting the Program’s ability to provide affordable housing timely, which could increase the cost of construction, but does not expect the delays to affect the Program’s ability to meet its goals.

In addition to the delays in delivering units, the Committee is concerned with the following aspects of the Program:

1. The Program’s pilot strategy of providing affordable housing through the acquisition of 5 single-family homes. Prior to these acquisitions in the second quarter of FY 2020-21, the Program had been focused on providing affordable housing through multi-family housing, such as apartment buildings. The Committee is concerned that the pilot strategy provides a very small number of units, which does not effectively increase the available number of affordable housing units. Also, the pilot strategy negatively affects the Measure A leveraging ratio as the projects are 100 percent Program-funded; and the pilot strategy could be potentially costly if the units need to be renovated to bring them up to housing code.
2. The low rate in which rapid rehousing units are being developed, as shown in Section 2.4 Exhibit 7. The overall Program goal for rapid rehousing is 1,600 units. However, only 81 units or 5.06 percent of the goal have been approved by the County Board of Supervisors. **Of the Program’s total remaining units to be constructed, more than half will need to be rapid rehousing units in order for the Program to achieve its goal of 1,600 rapid rehousing units.**
3. The lack of a more evenly or diverse geographic distribution of the Program’s projects. The Program’s current 40 housing projects are located within eight cities in the County, and 29 of the 40 projects are located in the City of San Jose.
4. The effectiveness of the First-Time Homebuyer Assistance Program (Empower Homebuyers), as shown in Section 3.1 Exhibits 9 and 10. Empower Homebuyers continues to have a low number of applications that make it from pre-screening (i.e., intake applications) to the successful funding of

a new loan (i.e., closed). The Committee is aware that the County is considering program improvements and endorses improvements being made to the pre-screening process.

5. The rising estimated cost share per unit and the declining leverage ratio, as illustrated in Exhibit 5 of Section 2.3.2. The Committee is concerned that at the current rate of spending per unit, the Program will be unable to meet its goal of providing 4,800 units with the \$950 million in bond funds authorized to be issued.

The Committee recognizes that some of the issues discussed above are outside the control of the County. The Committee would like to thank the County's Office of Supportive Housing for their hard work and dedication to providing affordable housing in the County.

If you have any questions regarding this transmittal memorandum or the attached reports, please feel free to contact me at 925.395.2808 or dbullock@mgocpa.com.

Sincerely,

David Bullock, CPA
Partner
Macias Gini & O'Connell LLP

**COUNTY OF SANTA CLARA
HOUSING BOND PROJECTS FUNDS**

Independent Auditor's Reports,
Financial Statements, and
Independent Accountant's Report

For the Year Ended June 30, 2020



Certified
Public
Accountants

COUNTY OF SANTA CLARA
HOUSING BOND PROJECTS FUNDS
(Funds of the County of Santa Clara)
For the Year Ended June 30, 2020

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Independent Auditor's Report

The Honorable Board of Supervisors
Members of the Measure A (2016 Housing Bond)
Independent Citizens' Oversight Committee
County of Santa Clara
San José, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Bond Projects Funds (Funds), funds of the County of Santa Clara, California (County), as of and for the year ended June 30, 2020, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Bond Projects Funds as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2020, and the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021 on our consideration of the County's internal control over the Funds' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
February 23, 2021

COUNTY OF SANTA CLARA
HOUSING BOND PROJECTS FUNDS
(Funds of the County of Santa Clara)
Combining Balance Sheet
June 30, 2020
(In thousands)

| | Special Revenue | Debt Service | Capital Projects | Total |
|---|------------------|------------------|-------------------|-------------------|
| Assets: | | | | |
| Cash and investments | \$ - | \$ 69,417 | \$ 121,000 | \$ 190,417 |
| Interest receivable | - | 880 | - | 880 |
| Loan receivables | 95,780 | - | - | 95,780 |
| Due from other funds | - | - | 28,920 | 28,920 |
| Total assets | <u>\$ 95,780</u> | <u>\$ 70,297</u> | <u>\$ 149,920</u> | <u>\$ 315,997</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 96 | \$ 149 | \$ - | \$ 245 |
| Due to other funds | 28,920 | - | - | 28,920 |
| Total liabilities | <u>29,016</u> | <u>149</u> | <u>-</u> | <u>29,165</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenue | 95,780 | - | - | 95,780 |
| Fund balances: | | | | |
| Restricted | - | 70,148 | 149,920 | 220,068 |
| Unassigned | (29,016) | - | - | (29,016) |
| Total fund balances | <u>(29,016)</u> | <u>70,148</u> | <u>149,920</u> | <u>191,052</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 95,780</u> | <u>\$ 70,297</u> | <u>\$ 149,920</u> | <u>\$ 315,997</u> |

See accompanying notes to the financial statements.

COUNTY OF SANTA CLARA
HOUSING BOND PROJECTS FUNDS

(Funds of the County of Santa Clara)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2020

(In thousands)

| | Special Revenue | Debt Service | Capital Projects | Total |
|---|--------------------|------------------|-------------------|-------------------|
| Revenues: | | | | |
| Property taxes | \$ - | \$ 57,725 | \$ - | \$ 57,725 |
| Interest and investment income | 47 | 3,709 | - | 3,756 |
| Intergovernmental | - | 182 | - | 182 |
| Other | 62 | - | - | 62 |
| Total revenues | 109 | 61,616 | - | 61,725 |
| Expenditures: | | | | |
| Current - public assistance: | | | | |
| Housing Development Projects: | | | | |
| Leigh Avenue Senior Apartments | 371 | - | - | 371 |
| Villas on the Park | 720 | - | - | 720 |
| The Veranda | 15 | - | - | 15 |
| Quetzal Gardens | 6,298 | - | - | 6,298 |
| Sango Court | 831 | - | - | 831 |
| North San Pedro | 2,374 | - | - | 2,374 |
| Calabazas Apartments | 7,444 | - | - | 7,444 |
| Page Street Apartments | 260 | - | - | 260 |
| Agrihood Senior Apartments | 534 | - | - | 534 |
| West San Carlos Housing | 5,560 | - | - | 5,560 |
| Blossom Hill Housing | 11,000 | - | - | 11,000 |
| Alum Rock Family Housing | 5,632 | - | - | 5,632 |
| Roosevelt Park | 5,887 | - | - | 5,887 |
| Housing Renovation Projects: | | | | |
| Curtner Studios | 2,676 | - | - | 2,676 |
| Property Acquisitions: | | | | |
| Western Motel | 9,000 | - | - | 9,000 |
| First time homebuyer loan program | 1,877 | - | - | 1,877 |
| Project administration | 46 | - | - | 46 |
| Debt service: | | | | |
| Principal retirement | - | 54,130 | - | 54,130 |
| Interest and fiscal charges | - | 4,967 | - | 4,967 |
| Total expenditures | 60,525 | 59,097 | - | 119,622 |
| Excess (deficiency) of revenues over (under) expenditures | (60,416) | 2,519 | - | (57,897) |
| Other financing sources (uses): | | | | |
| Transfers in | 38,409 | - | - | 38,409 |
| Transfers out | - | - | (38,409) | (38,409) |
| Total other financing sources (uses) | 38,409 | - | (38,409) | - |
| Change in fund balances | (22,007) | 2,519 | (38,409) | (57,897) |
| Fund balances, beginning of year | (7,009) | 67,629 | 188,329 | 248,949 |
| Fund balances, end of year | \$ (29,016) | \$ 70,148 | \$ 149,920 | \$ 191,052 |

See accompanying notes to the financial statements.

COUNTY OF SANTA CLARA
HOUSING BOND PROJECTS FUNDS
(Funds of the County of Santa Clara)
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 1 – BACKGROUND

On November 8, 2016, the County of Santa Clara (County) voters approved Measure A, the Affordable Housing Bond Measure, authorizing the issuance of \$950 million of general obligation bonds to fund the acquisition or improvement of real property in order to provide affordable local housing for vulnerable populations including veterans, seniors, the disabled, low and moderate income individuals or families, foster youth, victims of abuse, the homeless and individuals suffering from mental health or substance abuse illnesses, which housing may include supportive mental health and substance abuse services.

The table below sets forth the amount of housing bonds authorized and issued pursuant to Measure A (amount in thousands):

| | <u>Amount</u> | <u>Date</u> |
|--|--------------------------|------------------|
| Voter authorization | \$ 950,000 | November 8, 2016 |
| Bonds issued: | | |
| 2017 Series A General Obligation Bonds | 250,000 | November 9, 2017 |
| Authorized but unissued | <u><u>\$ 700,000</u></u> | |

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Housing Bond Projects Funds (Funds) have been accounted for in a special revenue fund, a debt service fund, and a capital project fund, which are governmental fund types and are included in the County's basic financial statements as nonmajor governmental funds. Special revenue funds are used to account for proceeds of specific revenues (other than for capital projects) that are legally restricted to be expended for specified purposes. Debt service funds are used to account for and report financial resources (e.g. property valorem property taxes) that are restricted, committed, or assigned to expenditure for principal and interest. Capital projects funds are used to account for financial resources (e.g. bond proceeds) that are restricted, committed, or assigned to expenditures for capital outlays and activities.

The accompanying financial statements present only the financial position and the changes in financial position of the Funds and do not purport to, and do not, present fairly the County's financial position as of June 30, 2020 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The Funds' activities are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when "susceptible to accrual" (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means that revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues are recognized in the current year if they are collected within 60 days of year-end. For all other revenues, the Funds considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Revenues not considered available are recorded as deferred inflows of resources. Expenditures are generally recorded when a liability is incurred, as under accrual basis of accounting.

COUNTY OF SANTA CLARA
HOUSING BOND PROJECTS FUNDS
(Funds of the County of Santa Clara)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Levy, Collection, and Maximum Rate

The State of California's (State) Constitution, Article XIII A provides that the combined maximum amount of any ad valorem property tax rate on real property shall not exceed 1% of the full cash value of such property. This limitation shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on indebtedness. Such indebtedness shall have voter approval unless incurred prior to June 6, 1978. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased no more than 2% per year unless the property is sold or transferred. Whenever there are changes in ownership, completed construction, or demolition, properties are subject to supplemental assessment based on the change in assessed valuation. Supplemental taxes are levied on the value change and prorated for the balance of the tax year. The State Legislature, through Assembly Bill 8 of 1979 and subsequent legislation, defined the methodology for distributing the 1% tax levy and collections among the County, cities, schools, and other local jurisdictions such as districts providing water, fire and library services.

The County assesses property values and levies, bills and collects the related taxes as follows:

| | Secured | Unsecured |
|-----------------------|---|-------------------------|
| Lien dates..... | January 1 | January 1 |
| Levy dates..... | October 1 | July 1 |
| Due dates..... | 50% on November 1 50% on February 1 | Upon receipt of billing |
| Delinquent after..... | December 10 (for November) April 10 (for February) | August 31 |

Annually, the County's Board of Supervisors sets the rates to be applied to the tax roll for the benefit of local taxing jurisdictions as provided by the State code. These taxes are secured by liens on the property being taxed. Taxes secured by land and improvements are levied on the Secured Tax Roll, while those taxes secured by personal property are levied on the Unsecured Tax Roll.

Loans Receivables

For the purpose of the financial statements, governmental expenditures relating to long-term loan receivables are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset with deferred inflows of resources account. The balance of the receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

COUNTY OF SANTA CLARA
HOUSING BOND PROJECTS FUNDS
(Funds of the County of Santa Clara)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Under GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the balance sheets of governmental funds classify fund balances based primarily on the extent to which the Funds are bound to honor constraints on the specific purposes for which those funds can be spent. The Funds have restricted and unassigned fund balances at June 30, 2020. Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external parties, constitutionally, or through enabling legislation. Unassigned fund balance represents residual fund deficit of the governmental funds.

At June 30, 2020, the special revenue fund has a deficit fund balance of \$29.0 million. The deficit is due primarily to expenditures incurred but not reimbursed by the capital project fund. The deficit is expected to reduce in the following year through transfers of bond proceeds from the capital projects fund.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS HELD BY COUNTY TREASURER

Cash and investments represent the Funds' share of the County Treasurer's pool. All of the Funds' cash and investments are deposited in the County Treasurer's pool. Investments in the pool are made in accordance with the County's investment policy as approved by the Board of Supervisors. Also, the County has an investment committee, which performs regulatory oversight for its pool. Investments are stated at fair value. However, the value of the pool shares in the County Treasurer's pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the Funds' position in the pool. Interest earned from time deposits and investments is allocated quarterly to the Funds based on their average daily cash balances. At June 30, 2020, the County Treasurer's pool has a weighted average to maturity of 517 days and is unrated. The Funds' investments in the County Treasurer's pool are exempt from fair value hierarchy disclosure. Detailed information about the County Treasurer's pool can be found in the County's basic financial statements that can be obtained from the County of Santa Clara, Director of Finance, 70 West Hedding Street, San José, California 95110.

NOTE 4 – INTERFUND TRANSACTIONS

At June 30, 2020, the interfund balances of \$28.9 million between the special revenue fund and the capital projects fund represent current borrowings for working capital expected to be repaid during the following year.

For the year ended June 30, 2020, the capital projects fund transferred \$38.4 million of bond proceeds to the special revenue fund for housing projects.

COUNTY OF SANTA CLARA
HOUSING BOND PROJECTS FUNDS
(Funds of the County of Santa Clara)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 5 – DEBT SERVICE

On November 9, 2017, the County issued the 2017 Series A Housing General Obligation Bonds (2017 Series A GO Bonds) in the amount of \$250 million. The bonds bear fixed interest rates ranging from 1.65% to 3.55%, which are payable semi-annually commencing February 1, 2018, and have a final maturity of August 1, 2047. At June 30, 2020, the outstanding principal of the 2017 Series A GO Bonds was \$147.4 million.

Annual debt service requirements for the 2017 Series A GO Bonds are as follows (amount in thousands):

| Year Ending June 30: | Principal | Interest | Total |
|----------------------|-------------------|------------------|-------------------|
| 2021 | \$ 55,215 | \$ 3,697 | \$ 58,912 |
| 2022 | 1,115 | 3,099 | 4,214 |
| 2023 | 1,225 | 3,074 | 4,299 |
| 2024 | 1,340 | 3,042 | 4,382 |
| 2025 | 1,460 | 3,006 | 4,466 |
| 2026-2030 | 9,380 | 14,296 | 23,676 |
| 2031-2035 | 13,550 | 12,511 | 26,061 |
| 2036-2040 | 18,930 | 9,759 | 28,689 |
| 2041-2045 | 25,745 | 5,836 | 31,581 |
| 2046-2048 | 19,400 | 1,059 | 20,459 |
| Total | <u>\$ 147,360</u> | <u>\$ 59,379</u> | <u>\$ 206,739</u> |

The debt service fund accounts for the required principal and interest payments of the County's Measure A housing general obligation bonds. Revenue sources consist of interest earnings and property tax revenue collected to service debt. Detailed information about the 2017 Series A GO Bonds can be found in the County's basic financial statements

COUNTY OF SANTA CLARA
HOUSING BOND PROJECTS FUNDS
(Funds of the County of Santa Clara)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 6 – PROJECTS

The major projects funded by the Funds during the year ended June 30, 2020 and County commitments as of the June 30, 2020 were as follows (amount in thousands):

| Project Name | Cumulative Expenditures as of June 30, 2019 | Expenditures for the year ended June 30, 2020 | Cumulative Expenditures as of June 30, 2020 | County Commitments as of June 30, 2020 | Remaining County Commitments as of June 30, 2020 |
|---|---|---|---|--|--|
| Supportive Housing - Housing Trust Silicon Valley | \$ 11,900 | \$ - | \$ 11,900 | \$ 11,900 | \$ - |
| Housing Development Projects: | | | | | |
| Gateway Senior Apartments | 7,500 | - | 7,500 | 7,500 | - |
| Crossings on Monterey | 5,800 | - | 5,800 | 5,800 | - |
| Leigh Avenue Senior Apartments | 3,700 | 371 | 4,071 | 13,500 | 9,429 |
| Villas on the Park | 6,480 | 720 | 7,200 | 7,200 | - |
| The Veranda | 985 | 15 | 1,000 | 1,000 | - |
| Quetzal Gardens | 3,532 | 6,298 | 9,830 | 9,830 | - |
| Sango Court | 7,312 | 831 | 8,143 | 16,000 | 7,857 |
| North San Pedro | 4,442 | 2,374 | 6,816 | 7,200 | 384 |
| Calabazas (formerly Corvin) Apartments | 11,259 | 7,444 | 18,703 | 29,000 | 10,297 |
| Page Street Apartments | 4,973 | 260 | 5,233 | 14,000 | 8,767 |
| Agrihood Senior Apartments | - | 534 | 534 | 23,550 | 23,016 |
| West San Carlos Housing | - | 5,560 | 5,560 | 9,300 | 3,740 |
| Blossom Hill Housing | - | 11,000 | 11,000 | 19,100 | 8,100 |
| Alum Rock Family Housing | - | 5,632 | 5,632 | 15,650 | 10,018 |
| Roosevelt Park | - | 5,887 | 5,887 | 14,400 | 8,513 |
| Auzerias Apartments | - | - | - | 13,200 | 13,200 |
| Gallup & Mesa | - | - | - | 2,400 | 2,400 |
| 4th and E. Younger Apartments | - | - | - | 7,500 | 7,500 |
| Moorpark Apartments | - | - | - | 16,655 | 16,655 |
| Bascom Apartments | - | - | - | 15,800 | 15,800 |
| Kifer Senior Apartments | - | - | - | 14,000 | 14,000 |
| La Avenida Apartments | - | - | - | 19,000 | 19,000 |
| Algarve Apartments | - | - | - | 11,500 | 11,500 |
| Gateway Tower | - | - | - | 53,000 | 53,000 |
| Housing Renovation Projects: | | | | | |
| Markham I | - | - | - | 7,000 | 7,000 |
| Markham II | - | - | - | 7,200 | 7,200 |
| Curtner Studios | - | 2,676 | 2,676 | 14,950 | 12,274 |
| Property Acquisitions: | | | | | |
| Western Motel | - | 9,000 | 9,000 | 9,000 | - |
| Driftwood Drive | - | - | - | 830 | 830 |
| First Time Homebuyer Loan Program | 159 | 1,877 | 2,036 | 25,000 | 22,964 |
| Total | \$ 68,042 | \$ 60,479 | \$ 128,521 | \$ 421,965 | \$ 293,444 |

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

The Honorable Board of Supervisors
Members of the Measure A (2016 Housing Bond)
Independent Citizens' Oversight Committee
County of Santa Clara
San José, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Bond Projects Funds (Funds), funds of the County of Santa Clara (County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over the Funds' financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
February 23, 2021

Independent Accountant's Report on Compliance with Measure A (2016 Housing Bond)

The Honorable Board of Supervisors
Members of the Measure A (2016 Housing Bond)
Independent Citizens' Oversight Committee
County of Santa Clara
San José, California

We have examined the County of Santa Clara's (County) compliance with certain provisions of Measure A (2016 Housing Bond) for the year ended June 30, 2020 as follows:

- Proceeds of any bonds issued pursuant to this bond measure were applied only to fund the acquisition or improvement of real property in order to provide affordable local housing for vulnerable populations, which housing may include supportive mental health and substance abuse services.
- Proceeds of the bonds issued pursuant to this measure were deposited in a special account created by the County.
- An annual report pursuant to Government Code Section 53411 describing the amount of funds collected and expended, and the status of any project required or authorized to be funded, was filed with its governing body.
- An independent external audit was performed to review the County's spending of bond proceeds.
- A citizens' oversight committee was established and the annual report was reviewed by the committee.

Management is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance whether the County complied with the specified requirements, in all material respects. An examination involves performing procedures to obtain evidence about the County's compliance with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the County's compliance with the specified requirements.

In our opinion, the County complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2020.

This report is intended solely for the information and use of the Board of Supervisors, the Measure A (2016 Housing Bond) Independent Citizens' Oversight Committee, and the County's management and is not intended to be and should not be used by anyone other than these specified parties.



Walnut Creek, California
February 23, 2021

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