



MEASURE A EARNS AN A:

Good Management and Oversight Supports
Progress

2021 Civil Grand Jury
of Santa Clara County

December 16, 2021



Table of Contents

GLOSSARY AND ABBREVIATIONS 3

INTRODUCTION..... 5

BACKGROUND 6

AH Development Is a Lengthy Process 6

Development Takes Many Players..... 7

METHODOLOGY 8

DISCUSSION 9

Measure A Program and Progress 9

Building Challenges 12

Housing the Homeless 14

Higher Costs in the Future? 16

The Oversight Challenge 17

CONCLUSION 19

FINDINGS AND RECOMMENDATIONS 20

Finding 1 20

Finding 2 20

Finding 3 20

Finding 4 20

Finding 5 21

REQUIRED RESPONSES..... 22

APPENDIX..... 23

MEASURE A EARNS AN A

GLOSSARY AND ABBREVIATIONS

AH	Affordable Housing
AMI	Area Median Income
B	Billion
BMR	Below Market Rate: a BMR unit is priced to be affordable to households that are moderate income or below
CTCAC	California Tax Credit Allocation Committee
ELI	Extremely Low-Income: households with income at or below the Poverty Guideline or 30% of Area Median Income (AMI), whichever is higher
Homekey	A program providing grants to local public entities to provide housing for the chronically homeless.
HUD	Housing and Urban Development
Leveraging Ratio	The amount of funding from Measure A proceeds compared to the amount of non-bond funding sources required by a project
LI	Low Income: households with incomes between 50% and 80% of the Area Median Income
LIHTC	Low-Income Housing Tax Credit
M	Million
MGO	Macias, Gini & O’Connell: a certified public accounting firm
MOU	Memorandum of Understanding: a binding document between two organizations that outlines roles, responsibilities, and deliverables
OSH	County of Santa Clara Office of Supportive Housing
Oversight Committee	Measure A (2016 Housing Bond) Independent Citizens’ Oversight Committee
Pipeline	The length of time from building project inception to units being ready-to-lease.
Program Goals	Measure A Program Goals specify the amount and type of housing that will be funded.
Program Guidelines	The rules governing the use of Measure A Program funds

MEASURE A EARNS AN A

PSH	Permanent Supportive Housing: a Measure A housing category providing housing units and long-term rental assistance, case management, and supportive services for homeless persons with disabling conditions, including the chronically homeless
RRH	Rapid Re-Housing: these units house clients who have become homeless through a recent adverse life event. RRH provides time-limited rental subsidy, case management, and supportive services. In RRH programs, individuals and families eventually take over the full rent of their leased housing units.
VLI	Very Low-Income: households with income below 50% of the Area Median Income. This also includes the extremely low-income category.

MEASURE A EARNS AN A

INTRODUCTION

In 2016, voters of Santa Clara County (County) passed Measure A, which allows the County to borrow up to \$950M (million) by issuing general obligation bonds. Bond proceeds can only be used to acquire or improve real property for the purposes of providing Affordable Housing (AH) and related support and services 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.¹

After Measure A passed, the County Board of Supervisors (Board) took two actions. They first set Measure A Program Goals, which included building, by developing or financing, at least 4,800 housing units for residents within the Measure's designated categories.² Second, the Board established the Measure A Independent Citizens' Bond Oversight Committee (Oversight Committee).³ The nature and complexity of Measure A warrants a strong oversight group tasked with reviewing the expenditures of bond proceeds. Further, as required, an independent, external auditor reviews the County's spending of bond proceeds to ensure accountability.

Less than five years into the Measure's 11-year cycle, 289 units have been built. Recently, several news outlets have noted that the number of Measure A authorized AH units built is low.⁴ Additionally, the 2021 Civil Grand Jury of Santa Clara County (Civil Grand Jury) received a complaint asking about the slow pace of Measure A construction. The purpose of this investigation

¹ County of Santa Clara, "List of Local Measures Presidential General Election November 8, 2016," accessed October 28, 2021, <https://sccvote.sccgov.org/sites/g/files/exjcpb1106/files/E110%20List%20of%20local%20measures.pdf>.

² County of Santa Clara, Office of Supportive Housing, "2016 Measure A Housing Bond Progress," accessed November 1, 2021, <https://osh.sccgov.org/housing-community-development/2016-measure-affordable-housing-bond/2016-measure-housing-bond>.

³ County of Santa Clara Code of Ordinances, "Measure A (2016 Housing Bond) Independent Citizens' Oversight Committee," October 25, 2021, https://library.municode.com/ca/santa_clara_county/codes/code_of_ordinances?nodeId=TITAGEAD_DIVA6BOCO_CHXXIME2016HOBOINCIOVCO.

⁴ Barry Holtzclaw and Dan Pulcrano, "Billion-Dollar Boondoggle: Four Years After Measure A, Santa Clara Co. Has Little to Show for It," *sanjoseinside*, June 25, 2020, <https://www.sanjoseinside.com/news/billion-dollar-boondoggle-four-years-after-measure-a-santa-clara-co-has-little-to-show-for-it/>; Madelyn Reese, "Measure A Housing Not Moving Fast Enough, Oversight Committee Says," *San Jose Spotlight*, September 21, 2020, <https://sanjosespotlight.com/measure-a-housing-not-moving-fast-enough-oversight-committee-says/>.

MEASURE A EARNS AN A

is to understand the County’s performance on Measure A, including why the number of units completed to date is so low.

BACKGROUND

It is important to note that Measure A (See [Appendix](#)) accountability safeguards state that “the specific purposes of the bond are to **fund** [emphasis added] the acquisition or improvement of real property in order to provide affordable housing” for the vulnerable populations defined above.⁵ The County utilizes the bond proceeds to partner with cities and the affordable and supportive housing community to address the AH needs of the target population. The County’s Office of Supportive Housing (OSH) is largely responsible for administering the funding available from the bond proceeds for these AH projects. But OSH is only one player. When it comes to building AH, other factors and organizations have significant control over the development process.

AH Development Is a Lengthy Process

Developing AH is a complex and lengthy process from project inception to the construction of units ready to be leased by qualified occupants. That process includes land acquisition, project design, zoning and permit approval, financing, and, finally, construction and leasing. Multiple entities are involved, and all project stages take time. The length of the development pipeline, which is the time from project inception to units being ready-to-lease, is 4-5 years. The process steps noted below are simplified. For example, project financing work begins quite early and often changes as the entitlement steps are finalized and the overall scope and design of the plan is completed.



Figure 1: 15 Step Affordable Housing Development Process⁶

⁵ County of Santa Clara, “List of Local Measures,” <https://sccvote.sccgov.org/sites/g/files/exjcpb1106/files/E110%20List%20of%20local%20measures.pdf>.

⁶ Yun Soo Kim and Lintong Li, *Housing on Merit: Stakeholder Mapping of Affordable Housing Development in Los Angeles County*, February 2020, p. 5, <https://housingonmerit.org/wp-content/uploads/2020/04/HOM-Final-Report-lm-edits-to-HOM-April-2020.pdf>.

MEASURE A EARNS AN A

Development Takes Many Players

AH development involves a complex mix of organizations which are outside the County's direct control. Cities, both the city governments and their residents, play an independent role in this process. Cities control entitlement processes, which include land use approvals, the density of housing projects, and design-related issues. Developers negotiate with city councils to obtain AH project approvals. Also, developers and city councils must engage directly with those most impacted by a project, particularly those living near it. These approvals alone can take one to two years. Cities vary widely in their willingness to approve AH projects and in the amount of time it may take to obtain that approval.

Similarly, the funding process for an AH project is complex and involves many sources. A general example of the funding complexity and funding sources in California are illustrated in the chart below:

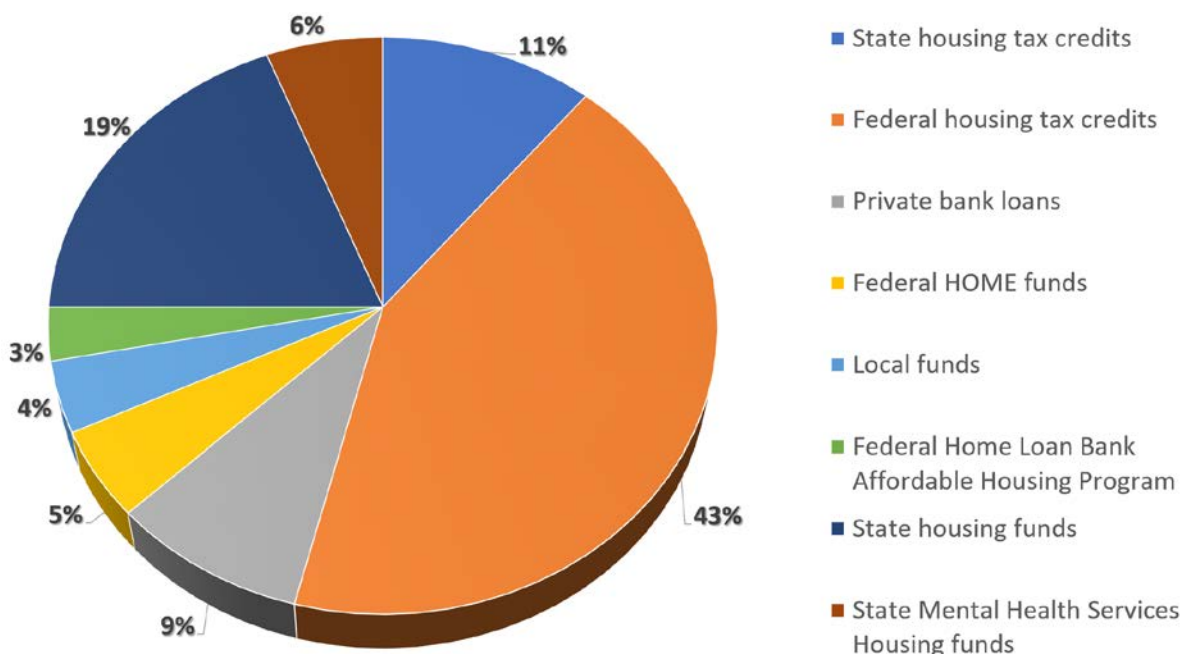


Figure 2: Financing Multi-Family Affordable Housing⁷

How is the County performing? Is OSH going to achieve the voter approved goals specified in Measure A? What is the prognosis for the successful attainment of Measure A goals, both in terms of funding and building 4,800 affordable units for those vulnerable populations?

⁷ City of Golden, "How Does Affordable Housing Happen?" December 7, 2017, https://www.guidinggolden.com/affordable-housing/news_feed/how-does-affordable-housing-happen.

METHODOLOGY

During the course of this investigation, the Civil Grand Jury conducted interviews, read reports, and followed public discussion about Measure A.

The Civil Grand Jury interviewed County officials charged with implementing Measure A and individuals involved in the oversight effort. The Civil Grand Jury also interviewed public officials involved in AH, who provided information about Measure A progress and effectiveness.

Civil Grand Jury members attended the most recent quarterly meeting (September 2021) of the Oversight Committee, and also reviewed earlier Oversight Committee meeting information.⁸

The Civil Grand Jury reviewed reports from the independent external auditor of bond expenditures, the OSH's Annual Report, and local media articles.

⁸ County of Santa Clara Board of Supervisors & Boards and Commissions, "Meeting Calendar," accessed November 1, 2021, <http://sccgov.iqm2.com/Citizens/calendar.aspx>.

DISCUSSION

Measure A Program and Progress

Guidelines and goals

In 2017, the Board approved Measure A Program Guidelines, which detailed how the Program would be managed and the amount of Measure A funds committed to projects. The Board also established Program Goals, which identified how many units would be assigned to each category of housing. ([Finding 1](#)) This was intended to meet the varying needs of the targeted populations. Housing categories, target populations, and the number of units assigned to each are:

- Permanent Supportive Housing (PSH) Goal: 1,800 units
 - This housing category provides units with long-term rental assistance, case management, and supportive services for homeless persons with disabling conditions, including the chronically homeless.
- Rapid Re-Housing (RRH) Goal: 1,600 units
 - RRH units house clients who have become homeless through a recent adverse life event. RRH provides time-limited rental subsidy, case management, and supportive services. In RRH programs, individuals and families eventually take over the full rent of their leased housing units.
- Extremely Low-Income (ELI) Goal: 800
 - ELI units are rented at Below Market Rate (BMR) to households making less than 30% of a region's Area Median Income (AMI).
- Very Low-Income (VLI) Goals: 600 units
 - VLI units are rented at BMR to households making between 31% and 50% of a region's AMI.⁹

The 2017 Program Guidelines also established a target Leveraging Ratio.¹⁰ The County set that target requirement at 3:1, which means that, on average, there needs to be \$3 of non-County money for every \$1 of Measure A money invested. Success in attracting adequate funding from non-County sources is critical to the success of Measure A Goals.

⁹ County of Santa Clara, Office of Supportive Housing, "Measure A Affordable Housing Bond Implementation Report #3," p. 4, August 15, 2017, https://osh.sccgov.org/sites/g/files/exjcpb671/files/Housing%20Bond%20Report_03%208.15.17.pdf.

¹⁰ Through the fourth quarter of FY 2020-2021, total project approval costs were \$2.3B. Funds from Measure A totaled \$511M, leaving \$1.8B in funding from non-County sources. The leveraging ratio equals 3.46:1.

MEASURE A EARNS AN A

Measure A funding progress

Macias, Gini, and O’Connell (MGO), the independent auditors of Measure A, reported that by the close of the fourth quarter of the 2021 fiscal year (ending 6/30/2021), project funding commitments and expenditures totaled \$683.6M, or 72.0% of the \$950M allowable bond proceeds. At that time, Measure A was just over 4 years into its 11-year Program cycle.

By that same date, OSH had committed \$510.9M for 34 development and renovation projects to fund 57.6% of the Measure A Program housing unit goals. An additional \$110.0M has been committed to purchasing 16 properties. These acquisitions include County properties and privately owned properties. All these purchases will be converted to or redeveloped as AH. Development plans are not yet in place for these properties, so AH unit numbers are not yet associated with these commitments. The balance of Measure A commitments total \$72M and are detailed in the footnote below.¹¹

The expenditures and activity to-date suggest that Measure A’s stated responsibility, to fund development of multi-family rental housing for the community’s most vulnerable populations, is on target. ([Finding 2](#))

However, performance by housing category has varied. Housing unit achievement is very strong in three of the four Program Guideline categories. The RRH Category is well behind schedule. This RRH lag will be addressed later in this report. ([Finding 3](#))

¹¹ Program commitments-to-date include a \$25.0M bridge loan to developers that will be returned. In addition, the County has committed \$25.0M to a first-time homebuyer assistance program and \$11.9M to a supportive housing fund. While not building activity per se, both are commitments made consistent with the Measure A Program Guidelines and are targeted to assist the vulnerable populations specified in Measure A.

MEASURE A EARNS AN A

Program Category	Goal Units	Units Funded (as of 6/30/21)	% of Goal Achieved
Permanent Supportive Housing	1,800	1,494	83.0%
Rapid Re-Housing	1,600	315	19.7%
Extremely Low-Income	800	417	52.1%
Very Low-Income	600	539	89.8%
Total	4,800	2,765	56.7%

Table 1: Measure A Housing Unit Funding Commitments by Category¹²

On August 31, 2021, OSH reported back to the Board of Supervisors on the implementation of Measure A.¹³ In the OSH’s unaudited report, the housing funding commitments, including building new units, were up another 291 units, raising the housing Program Goal total performance to 64%.

The switch from fund to build

Measure A’s funding pace appears reasonable, and the money is being committed in a manner that is aligned with the language of Measure A. But construction has been slow.

As noted earlier, the pipeline for complete, ready-to-lease units is long. As of June 2021, 289 AH units have been built. In addition, 1,008 units, or 21.0% of the Program Goals, are in construction. Another 1,468 units, 30.6% of the Program Goals, are in pre-construction. Pre-construction includes projects that are still working on one or more of the project elements listed in the first two phases of Table 1, such as design, entitlements, non-County financing, and construction preparation. As noted earlier, these are very challenging and time-consuming processes, which are in the hands of numerous non-County parties.

¹² MGO, “County of Santa Clara, Citizens’ Oversight Committee’s Measure A 2016 Affordable Housing Bond Program Independent Advisor’s Annual Report and Fourth Quarter Report for Fiscal Year 2020-21,” September 16, 2021, Agenda Item 4.a, p. 51, <http://sccgov.iqm2.com/Citizens/FileOpen.aspx?Type=1&ID=12256&Inline=True>.

¹³ County of Santa Clara, Office of Supportive Housing, “Supportive Housing Development Program Update,” August 31, 2021, Agenda Item 59, p. 735, <http://sccgov.iqm2.com/Citizens/FileOpen.aspx?Type=1&ID=12217&Inline=True>.

MEASURE A EARNS AN A

The construction of units is not explicitly in Measure A’s charter. However, the building lag is a topic of discussion for both OSH and the Oversight Committee. Both parties understand that the County can control the funding commitments it makes, and that funding is only part of Measure A’s goals. AH needs to be built, and OSH and the Oversight Committee are discussing how to influence that outcome too.

Building Challenges

As noted above, the County has provided on average about 20% of the required financing for an AH project. The balance of the funds comes from multiple sources, each with their own requirements.

Financing 100% Affordable Housing

Mixed use development projects contain enough high margin office space to finance the inclusion of affordable units. However, developments that are comprised solely of 100% AH units require very large amounts of public money and/or subsidies. Not only is a significant amount of money required, but also many funding sources. One example of this complexity is the La Avenida project, which is a 100-unit, 119-bedroom AH development in Mountain View.

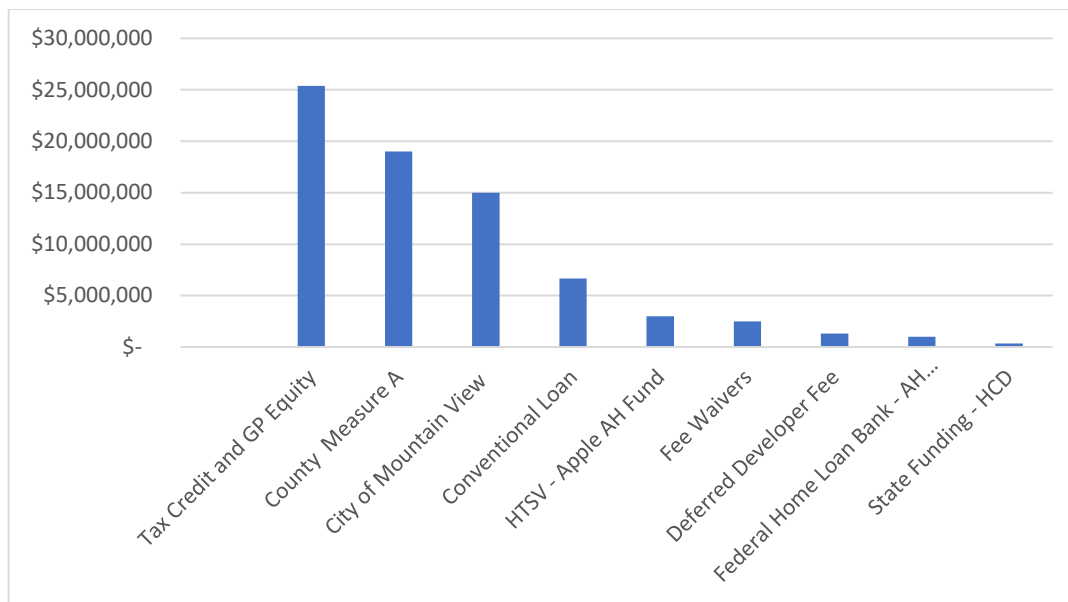


Figure 3: La Avenida Funding Plan Totaling \$74.2M¹⁴

¹⁴ City of Mountain View, “1100 La Avenida-Affordable Housing Development Appropriation of Funding,” October 12, 2021, Agenda Item 4.3, p. 4, <https://mountainview.legistar.com/Calendar.aspx>; The California Housing Consortium, “Resources :: Affordable Housing 101 :: How Is It Built?” accessed November 22, 2021, <https://calhsng.org/resources/affordable-housing-101/how-is-it-built/>; Local Housing Solutions, “How Is Affordable Housing Funded?” accessed November 22, 2021, <https://localhousingsolutions.org/housing-101-the-basics/how-is-affordable-housing-funded/>.

MEASURE A EARNS AN A

The project's funding profile illustrates many of the challenges that a 100% AH project faces for both County and City staff implementing Measure A as well as for the developers. The County has committed \$19M in Measure A funds, or 25.6% of the total. Mountain View has committed \$15M, a large share of its AH development fund. As Figure 3 shows, the Tax Credit and General Partner Equity funding comprise the largest sources (\$25M) of AH funding in this and many other AH projects. The challenges of these two funding sources are described below.

Leveraging tax credits and general partner equity contributions

In the La Avenida project, the Tax Credit funds and the General Partner Equity funds (the developer's investment) are combined as the first column in Figure 3 above. Together, they are the single largest line item of the project's financing, totaling \$25.4M. The Low-Income Housing Tax Credit (LIHTC) is a primary source of funding for building 100% AH. LIHTC funds come from a program administered by the United States Department of Housing and Urban Development (HUD).¹⁵ In California, this HUD program is administered by the California Tax Credit Allocation Committee (CTCAC).¹⁶

La Avenida's success relies heavily on obtaining LIHTC funds. The amounts committed by the County and City of Mountain View are predicated on the project receiving these tax credit funds. However, the State awards these funds on a competitive scoring basis, with preference going to projects in areas of the state where development costs are relatively low. Because the Bay Area has very high land and building costs, the County is at a clear disadvantage under the State's current scoring criteria.

The County's lack of competitiveness for this critical funding has been an ongoing topic of discussion between the Oversight Committee and OSH. The Oversight Committee recommended that the County lobby the State to change its scoring system. The County has written CTCAC requesting a scoring change. While out of the County's control, this tax credit money is a critical financing element for many Measure A projects and merits the attention and effort being made.

Leveraging ratio

As noted above, in the Measure A Program Guidelines, the County set the target leveraging ratio requirement at 3:1. For all 34 projects funded through June 30, 2021, the average amount of non-County funding sources to Measure A money results in a ratio of 3.5:1, exceeding the Guideline.

¹⁵ U.S. Housing and Urban Development, "Low-Income Housing Tax Credit (LIHTC)," accessed November 1, 2021, <https://www.huduser.gov/portal/datasets/lihtc.html>.

¹⁶ California Office of the State Treasurer, "Low-Income Housing Tax Credit Programs," accessed November 1, 2021, <https://www.treasurer.ca.gov/ctcac/tax.asp>.

MEASURE A EARNS AN A

The fact that Measure A supported AH projects have been able to attract increasing shares of non-County funding bodes well for the coming years of the Measure's term.

Land use and entitlements challenges

The public record is replete with examples of local contention about the location, design, and developer concessions involved in building AH. Many issues emerge from these discussions, including density and design concerns, neighborhood preservation, and local control. Community acceptance of and desire to build AH varies significantly. To date, 38 of the 54 committed Measure A development and renovation projects and property acquisitions are in San José. To broaden the geographic distribution of projects, OSH has supplemented its funding commitments with additional outreach and support to other cities. OSH is negotiating loan terms with cities through Memorandums of Understanding (MOUs) and developing grant programs to encourage the cities in the County to commit to AH projects.

One example of a creative approach to working through city entitlement issues is the County's proposal for the La Avenida site. The La Avenida project was first brought to the Mountain View City Council in December of 2020. The County will own the La Avenida property, because they have contributed more funds than the City. Measure A's financing terms include a 55-year term and affordability covenant.¹⁷ Upon expiration of the 55-year term, the County could then repurpose the site for another use and might not be subject to the City's building code and land use authority.¹⁸ The County and Mountain View are currently drafting an MOU that addresses funding commitments to the project and this land use issue.

Housing the Homeless

Rapid Re-Housing challenges

In the case of OSH-managed RRH programs, the unhoused client is a recently homeless individual or family who became homeless due to an event that has upended their life. This event may have been a loss of employment, the loss of a partner or family member, or a serious health problem. In the RRH program, these clients are moved into housing with rent subsidies, case management, and other support services to help them re-stabilize their lives. The expectation is that the rent subsidies will decline over 24 months or less. Then, the clients can transition in place in their AH units. This transition is usually accompanied by a phase out of program service support. To ensure that those

¹⁷ City of Mountain View, Agenda Item 4.3, p. 6, <https://mountainview.legistar.com/Calendar.aspx>.

¹⁸ This project is designed so that its purpose and use must remain AH for 55 years. In year 56, that AH restriction lapses.

MEASURE A EARNS AN A

individuals and families can transition in place, units that are set aside for RRH programs will have their rent restricted to a level affordable to households earning no more than 30% of AMI.

All four of the housing categories in the Program Goals (see [Table 1](#)) require significant rent subsidies, and both RRH and PSH clients receive supportive services. Rent subsidies and supportive services are an integral part of meeting Measure A's overall success. While scarce, both the U.S. Department of Housing and Urban Development (HUD) and County funding are currently available to support these subsidies and services. But as more units are built, the subsidies and services required will grow, and the County may have to look to other funding sources to achieve Measure A Program Goals.

RRH is an important Program Goal. As noted earlier, OSH has had significant success in funding AH projects in the PSH, ELI, and VLI goal categories. This has not yet been the case in the RRH goal. The Civil Grand Jury learned that OSH and the Oversight Committee are discussing this lag in the RRH progress.¹⁹

Chronically homeless challenges

The chronically homeless, as defined by HUD, are either:

- an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, or
- an unaccompanied individual with a disabling condition who has had at least four episodes of homelessness in the past three years.²⁰

In addition to PSH programs, the chronically homeless are also candidates for transitional housing. The need for transitional housing is caused by the lack of PSH in the County and across the U.S. While they are the most visible homeless population, this group has traditionally been either unserved or underserved, and moved in and out of homeless shelters.

Recently, a funding program called Homekey has made significant grant money available to local public entities to specifically target this homeless population. Homekey is funded through a mix of federal funds originating in the CARES Act (83%) and State general fund sources (17%).²¹

¹⁹ “The [Oversight] Committee recognizes that County staff are aware of the Committee’s concerns and are taking steps to address them.” from Attachment “SSC Measure A – BOS transmittal letter annual Q4 FY20-Final,” p. 1, October 20, 2020, http://sccgov.ig2.com/Citizens/Detail_LegiFile.aspx?Frame=&MeetingID=12219&MediaPosition=&ID=103181&CssClass=.

²⁰ HUD, “Defining Chronic Homelessness,” September 2007, accessed December 1, 2021, <https://files.hudexchange.info/resources/documents/DefiningChronicHomeless.pdf>.

MEASURE A EARNS AN A

Several Homekey funded approaches to housing this target population have been developed, from lightly engineered units in Mountain View to motel and hotel rooms and other relatively inexpensive property acquisitions throughout the County. The clients in this program benefit from a secure, dry place to live with some level of case management.

Homekey projects cost less per bedroom and require less time to complete than traditional AH development. OSH is evaluating this program as an additional and significant non-Measure A funding source. OSH has used Homekey funding in Measure A PSH unit projects and is evaluating its applicability as a RRH solution.

While the Homekey program has had some success getting people off the street, its value as part of the solution to chronic homelessness is yet to be determined. When Homekey funded projects are used as transitional housing, and a client's stay is long enough to enable them to move into PSH, it can be a meaningful housing solution. However, there are different implementations of Homekey. Some organizations running a Homekey project provide sufficient length of stay. There are also cases, such as the Homekey development in Mountain View, where the expected stay is 90-120 days and then the client is back on the streets. When the client has nowhere affordable to go, the program fails.

Higher Costs in the Future?

OSH and the Oversight Committee have noted concerns about inflation.²² The County's average contribution per unit has remained relatively stable over the 4.5 years of Measure A. The stability of the County's contribution does not reflect cost pressures that may develop in the future.

More relevant to the concern about inflation is the estimated total cost per unit or bedroom. The challenge in using this metric is the relatively small sample size of 34 development projects over four years, although that sample includes more than 4,000 bedrooms. Additionally, a project's location complicates the inflation issue because land and other costs are higher in some cities than others. However, if one examines only the San José projects, which are over 80% of the bedrooms built, it is not clear that inflation has yet affected the unit costs.

²¹ Coronavirus Aid, Relief, and Economic Security Act (CARES Act), H.Res. 748, 116th Cong., 2nd sess., (January 3, 2020), <https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>.

²² MGO, "Independent Advisor's Annual Report and Fourth Quarter Report for Fiscal Year 2020-21," September 16, 2021, Agenda Item 4.a, p. 23, <http://sccgov.iqm2.com/Citizens/FileOpen.aspx?Type=1&ID=12256&Inline=True>.

MEASURE A EARNS AN A

Overall, Bay Area construction trade groups indicate that building/unit inflation has not yet risen significantly.²³ The pandemic reduced construction activity in the County, which would not surprise people who walked by halted construction sites in their communities in 2020. This general slowdown idled many contractors and suppliers. As activity resumes, those contractors and suppliers have been eager to re-build their volume of work and have competitively vied for business. In the 2021 calendar year, the industry expected construction pricing increases in the range of 1-5%.²⁴

While currently uncertain, there is a possibility that inflation in the coming years may become significant. Recognizing those risks, the County has committed \$108M of program funds to the acquisition of 16 properties suitable for development of AH. A primary motivation for these acquisitions was to hedge against likely increases in land costs.

The Oversight Challenge

Measure A's full text required an Oversight Committee.²⁵ In June of 2017, the Board established the Oversight Committee structure, purpose, and responsibilities.²⁶ ([Finding 4](#)) The Committee's mandatory activities were detailed in a memorandum from the Santa Clara County Office of the County Counsel.²⁷ Those responsibilities include:

- To send advisory reports at least quarterly to the Board and each of the cities in the County
- To receive reports on bond implementation provided by OSH and other County departments – including a monthly dashboard of metrics with project level detail
- To receive an annual financial audit and quarterly report from an independent financial auditor

²³ ONESF, "2021 Annual Infrastructure Construction Cost Inflation Estimate," October 26, 2020, https://www.onesanfrancisco.org/sites/default/files/2020-10/Agenda%20Item%204_2021%20Proposed%20AICCIE.pdf.

²⁴ Ibid.

²⁵ County of Santa Clara, "Santa Clara County Affordable Housing Bond – Measure A 2016," accessed November 1, 2021, <https://www.sccgov.org/sites/scc/Documents/Complete-Text-of-Measure-A-20.pdf>.

²⁶ County of Santa Clara Municipal Code, "Measure A (2016 Housing Bond) Independent Oversight Committee," accessed November 1, 2021, https://library.municode.com/ca/santa_clara_county/codes/code_of_ordinances?nodeId=TITAGEAD_DIVA6BOCO_CHXXIME2016HOBOINCIOVCO.

²⁷ James R. Williams and Steve Mitra, "Overview of the Measure A (2016 Housing Bond) Independent Citizens' Oversight Committee," June 13, 2017, Agenda Item 5a, pp. 6-8, <http://sccgov.iqm2.com/Citizens/FileOpen.aspx?Type=1&ID=8402&Inline=True>.

MEASURE A EARNS AN A

- To receive other financial reports as provided
- To provide an annual report with public and wide distribution

In this same memorandum, the Office of the County Counsel specified the Committee's role with respect to the independent auditor:

The Board has provided an independent, external auditor who will report directly to the Committee to the extent permitted by law. While the auditor is to be selected by the Board after a competitive selection process, the Committee, or representatives of the Committee, are required to participate in the selection process. Such participation would most logically occur through a subset of the members of the Committee sitting on an evaluation panel, assessing the strengths and weaknesses of the firms or persons bidding to fill the role of the auditor. The Committee is also able to make a recommendation to the Board regarding the selection of the auditor. Once the auditor is selected, the Committee will have direct access to the firm or person selected. The Committee may request "spot check" audits by the auditor in addition to the annual financial audit.²⁸

The memorandum established the Oversight Committee's roles and independence. In addition, the Board selected a number of knowledgeable members to serve on the Oversight Committee. While it is common to have both geographical and interest group representation on oversight boards, it is far less common to select members with capabilities related to the subject matter of the bond.²⁹ Members of the Oversight Committee have housing policy experience, accounting expertise, and senior level organizational and political leadership experience. ([Finding 5](#)).

The Oversight Committee has been diligent and has worked effectively to exercise its oversight responsibilities. In addition, the Oversight Committee has worked with OSH and the independent auditors, MGO, to promote transparency and to communicate Measure A's performance. An example of this is the Measure A activity dashboard.³⁰ This set of metrics and reports supplies information on projects and performance at both a detailed project level and in the aggregate. The dashboard was a collaborative and cooperative effort on the part of a sub-committee of the Oversight Committee, OSH, and the independent auditors, MGO.

The Oversight Committee makes recommendations on a quarterly basis. The Civil Grand Jury learned that inquiries, challenges, and concerns are openly shared between the OSH and the

²⁸ Ibid., p. 8.

²⁹ Williams and Mitra, "Overview of Measure A," p. 14.

³⁰ County of Santa Clara, Office of Supportive Housing, "2016 Measure A Housing Bond Progress," accessed November 22, 2021, <https://osh.sccgov.org/housing-community-development/2016-measure-affordable-housing-bond/2016-measure-housing-bond>.

MEASURE A EARNS AN A

Oversight Committee in a manner that is transparent and promotes the public’s understanding of Measure A progress.

CONCLUSION

The direct response to the question that prompted this investigation is that the funding purpose specified in Measure A is being addressed – the County is funding the right categories of AH in a timely manner. This could change over time, but for now it looks to be on track.

Reframing the question to ask, “Are we building at an appropriate pace?” leads to a more subtle answer. It is important to recognize that there are many factors in the AH development process that are beyond the control of OSH and the County. A very capable and assertive Oversight Committee has independently come to the same conclusion.

Despite the narrow charter found in Measure A’s language, both OSH and the Oversight Committee have moved the discussion beyond County funding. They are now examining how to ensure the goal of 4,800 units are constructed. The Civil Grand Jury sees value in shining a light on the current state of building progress and the challenges posed in reaching the Measure A Program Goals. While the recommendations to achieve Measure A Program Goals mirror those of the Oversight Committee, the Civil Grand Jury hopes Santa Clara County residents will benefit from this examination of the largest bond measure in County history.

The related Findings 4 and 5 point to the effectiveness and value of the oversight function. The Civil Grand Jury has reviewed other bond oversight committees and attended the California Association of Bond Oversight Committees statewide conference.³¹ All oversight committees have rules for committee representation, most often expressed as geographical or interest group (e.g., seniors, students, taxpayer advocacy groups). None of the reviewed bond oversight committees specify skills or experience relevant to the bond program, such as financial, analytical, political, or legal expertise.

In contrast, members of the Oversight Committee bring housing policy and high-level accountancy expertise, as well as senior political and organizational leadership experience. In the Civil Grand Jury’s judgement, this has strongly contributed to the Oversight Committee’s effectiveness and benefited County residents. The Board of Supervisors is to be commended for their selection of this Oversight Committee’s membership.

³¹ California Association of Bond Oversight Committees, “First Annual Virtual CABOC Statewide Conference 2021,” accessed November 24, 2021, <https://www.bondoversight.org/caboc-conference/>.

FINDINGS AND RECOMMENDATIONS

Finding 1

The Office of Supportive Housing is managing the funding commitments in a manner consistent with Measure A language. The Program Goals and projects are targeted at the vulnerable populations specified in Measure A.

No recommendation.

Finding 2

Measure A funding of Affordable Housing projects is at pace with the eleven-year cycle specified in the Program Guidelines

No recommendation.

Finding 3

The needs of the Rapid Re-Housing target population may not be met because unit completion is lagging in that Category.

Recommendation 3a

To address this Rapid Re-Housing lag, the County should aggressively pursue Homekey funding where consistent with Measure A Goals and Guidelines. The County should develop a plan to address this recommendation by June 30, 2022.

Recommendation 3b

If Rapid Re-Housing development continues to lag, the County should consider redistributing unit goals in a way which still supports the core homeless and disabled vulnerable populations. The County should develop a plan to address this recommendation by June 30, 2022.

Finding 4

The Civil Grand Jury commends the Board of Supervisors and the members of the Measure A Independent Citizens' Oversight Committee for providing strong and transparent oversight to Measure A implementation.

No recommendation.

Finding 5

The mix of relevant skills of the Measure A Independent Citizens' Oversight Committee members has enabled the Committee to play an effective oversight role.

Recommendation 5

The Civil Grand Jury recommends that the County evaluate whether this selection model can be extended to other advisory boards and commissions. This evaluation should be completed June 30, 2022.

MEASURE A EARNS AN A

REQUIRED RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the Civil Grand Jury requests responses as follows from the following governing bodies:

Responding Agency	Finding	Recommendation
The County of Santa Clara	3, 5	3a, 3b, 5

APPENDIX

COMPLETE TEXT OF MEASURE A³²

BOND AUTHORIZATION

The Board of Supervisors of the County of Santa Clara recognizes the existence of a housing crisis in Santa Clara County: The rising costs of home ownership and the increasing cost of rental units throughout the county have resulted in a persistently high number of homeless individuals within Santa Clara County. The latest homeless count revealed a total of 6,556 homeless individuals in Santa Clara County with 4,627 unsheltered.

In response to this housing crisis, the Board of Supervisors is placing a general obligation bond on the ballot to generate up to \$950 million for 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, current or former foster youth, victims of abuse, the homeless and individuals suffering from mental health or substance abuse illnesses. "Low income" means individuals and families whose income does not exceed 80 percent of area median income. "Moderate income" means individuals and families whose income lies in the range of 80 percent to 120 percent of area median income. The housing may be provided at below market rates, and may be provided in connection with supportive mental health and substance abuse services.

A portion of the proceeds, not to exceed \$150 million, with not more than \$50 million for first-time homebuyers, may be used to provide housing that is affordable for moderate income individuals and families; such portion may be used, by way of example only, for first-time homebuyers or to promote housing that is in proximity to employment.

Even though housing for vulnerable populations is currently being built, the number of units available does not satisfy the projected demand within our community. The Board of Supervisors intends to distribute the new affordable housing units within the County and to leverage the resources acquired through this bond to attract both private and public matching funds, including from state and federal sources. Different forms of assistance for vulnerable populations may be provided based on programs and spending as determined by the Board of Supervisors.

³² County of Santa Clara, "Complete Text of Measure A," accessed November 4, 2021, <https://www.sccgov.org/sites/scc/Documents/Complete-Text-of-Measure-A-20.pdf>.

MEASURE A EARNS AN A

The Board of Supervisors views housing as a critical need of vulnerable populations, without which individuals in these populations are unlikely to achieve any level of stability. Creating and improving housing for the County's vulnerable populations is consistent with the County's mission to plan for the needs of a dynamic community, provide quality services, and promote a healthy, safe and prosperous community for all. The County is seeking to achieve this in a cost-effective way.

ACCOUNTABILITY SAFEGUARDS

Statement of Purpose: The specific purposes of the bond are 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, 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 proceeds of any bonds issued pursuant to this bond measure will be applied only to these specific purposes.

Special Bond Proceeds Account: The proceeds of the bonds issued pursuant to this measure shall be deposited in a special account created by the County.

Annual Report: The County will ensure that 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, shall be filed with its governing body.

Independent Citizens' Oversight Committee: A Citizens' Oversight Committee will be established and will review the annual report each year to ensure fiscal accountability.

Independent and External Audit: An independent, external auditor will review the County's spending of bond proceeds to ensure accountability.

MEASURE A EARNS AN A

This report was **ADOPTED** by the 2021 Civil Grand Jury of Santa Clara County on this 16th day of December, 2021.

A handwritten signature in cursive script that reads "Karen F. Delaney". The signature is written in black ink and is positioned above a horizontal line.

Ms. Karen Delaney

Foreperson