



24-5538

DATE: May 7, 2024 (Item No. {{item.number}})

TO: Board of Supervisors

FROM: Margaret Olaiya, Director, Finance Agency

SUBJECT: County of Santa Clara General Obligation Bonds (Election of 2016), 2024 Series C

RECOMMENDED ACTION

Consider recommendations relating to the 2016 Measure A Affordable Housing Bond.

Possible action:

- a. Approve Request for Appropriation Modification No. 204 - \$70,000,000 increasing expenditure appropriations in the Office of Supportive Housing budget, relating to affordable and supportive housing developments previously approved by the Board. (4/5 Vote)
- b. Adopt Resolution approving the issuance and sale of not to exceed \$350,000,000 principal amount of County of Santa Clara, California, General Obligation Bonds (Election of 2016), 2024 Series C (Federally Taxable) (Dedicated Unlimited *Ad Valorem* Property Tax Bonds); approving the forms of a second supplemental Paying Agent agreement, the forms and distribution of an official statement, an official notice of sale, a notice of intention to sell, a bond purchase agreement, and a continuing disclosure certificate; and authorizing the taking of all necessary actions in connection therewith.

FISCAL IMPLICATIONS

Recommended action 'a' will not have a negative impact on the General Fund. The appropriation modification increases expenditures by \$70,000,000 in the 2016 Measure A Affordable Housing Fund (Fund 0048). This action serves as bridge funding necessary to allow the Office of Supportive Housing to meet its financial obligations for various supportive and affordable housing developments previously approved by the Board that are in progress.

Approving this resolution will enable the County to issue the third series of Measure A general obligation (GO) bonds in an amount up to \$350,000,000. Measure A was approved by the voters on November 8, 2016 for a total authorized issuance amount of \$950,000,000.

A listing of projects, expenditures and amounts is set out in Exhibit A to the resolution. The \$350,000,000 is expected to cover approximately three years of project costs.

GO bonds are funded through ad valorem property taxes. The Finance Agency collects the property taxes and facilitates the appropriate debt service payments. The net proceeds of the issue will be deposited into the County treasury until expended.

The current expectation is to sell the bonds as taxable bonds via a competitive sale. However, in the event of volatile markets, the documents also allow for a negotiated sale of bonds if it is determined by the County and its municipal advisor that this would be advantageous. A draft form of a Bond Purchase Agreement for use in a negotiated sale is attached to this file.

Four bond structure scenarios were considered with the final selection being a level principal amortization which provides a balance between paying less interest over the life of the bonds without maxing out the tax rate for the next five years. A summary of the bond structure scenarios is attached to this file.

A tax rate of approximately \$6.00 per \$100,000 of assessed valuation (AV) will be placed on the tax roll for fiscal year 2024-25. This rate will fund the first year's principal and interest payments for the 2024C GO Housing Bonds as well as the principal and interest payments for the existing 2017A and 2021B GO Housing bonds. The tax rate for all three series of GO Housing bonds is projected to peak at \$6.14 per \$100,000 of AV in 2026 before gradually declining to \$3.22 in 2047.

REASONS FOR RECOMMENDATION AND BACKGROUND

On June 21, 2016, the Santa Clara County Board of Supervisors unanimously approved placing an affordable housing bond (the "Housing Bond") on the November 2016 ballot. The Board considered the work of the Housing Task Force and other information before voting on a resolution to place the Housing Bond measure on the ballot. The Housing Bond was placed on the November 2016 ballot as Measure A.

Santa Clara County voters approved Measure A. The Housing Bond provides the County with an unprecedented opportunity to partner with cities, residents, and the affordable and supportive housing community to significantly address the housing needs of the community's poorest and most vulnerable residents. Housing special needs populations is a County priority; therefore, the County takes an active role in developing, financing, and supporting various types of affordable housing for the populations served. The Housing Bond will enhance the County's ability to achieve its housing priorities which include:

- Increasing the scope and breadth of supportive housing for special needs populations, including homeless and chronically homeless persons;
- Increasing the supply of housing that is affordable to extremely low income (ELI) households; and,
- Improving coordination and collaboration among the County, the cities, other governmental agencies, and the affordable housing community.

The first series of bonds, the 2017A GO Housing Bonds, were issued on November 9, 2017, in the par amount of \$250,000,000. The second series of bonds, the 2021B GO Housing Bonds, were issued on July 28, 2021, in the par amount of \$350,000,000. The current financing schedule estimates the 2024C GO Housing Bonds being issued in late July 2024. The schedule has enough flexibility to adjust based on decisions as to the method of sale, rating agency schedules, market conditions, etc.

The financing team consists of municipal advisor KNN Public Finance, LLC, Orrick, Herrington & Sutcliffe as bond counsel and Hawkins, Delafield & Wood as disclosure counsel.

The Finance Agency is working with the Office of Supportive Housing (OSH) and the County Executive's Office on the development of the Official Statement, the rating agency presentations and financing documents. It is expected that this issuance will go forward uninsured and be based on the strength of the County's property tax base and the Measure A tax levy. The County's current GO Bond ratings are "AAA" from Standard & Poor's and "AA+" from Fitch Ratings. It is anticipated that the term of the Series 2024C GO Housing Bonds will be 23 years, with the bonds being paid off in 2047.

While the bond issuance is scheduled to be completed by the end of July 2024, OSH is currently planning to expend all bond proceeds from the 2021 Series B Housing Bond by April 2024 and OSH projects a cash deficit of approximately \$44 million by the end of June 2024.

Due to the projected deficit, the appropriation modification is needed to pay for Measure A affordable housing project expenses already approved by the Board. It is expected that Fund 0048 will be at a negative cash balance and will be accruing negative interest at the apportionment rate until the bond proceeds come in at the end of July. The negative interest will be partially or fully offset by interest on notes collected in this Fund.

A report on the Measure A Affordable Housing Bond Implementation was presented to the Board of Supervisors by OSH on December 5, 2023, and the report is attached to this file.

CHILD IMPACT

The recommended action will increase affordable housing, supportive housing, and home ownership options for families with children and youth who are earning less than 120% of the area median income (AMI). The Housing Bond will be especially impactful for families with special needs and families who are 30% or less of AMI.

SENIOR IMPACT

The recommended action will increase affordable and supportive housing options for seniors who are earning less than 120% of AMI. The Housing Bond will be especially impactful for seniors with special needs and seniors who are earning 30% or less of AMI.

SUSTAINABILITY IMPLICATIONS

The recommended action will have a positive impact on sustainability.

CONSEQUENCES OF NEGATIVE ACTION

The issuance of the Housing Bond will be delayed.

STEPS FOLLOWING APPROVAL

Direct the Clerk of the Board to mail one approved copy of the resolution to: Orrick, Herrington & Sutcliffe, C/O John Palmer, 405 Howard Street, San Francisco, CA 94105.

ATTACHMENTS:

- F-85 #204
- County Resolution with Exhibits A & B
- 2024C GO Bond Structure Scenarios
- Preliminary Official Statement-Draft
- Preliminary Official Statement-Appendix A-Draft
- Preliminary Official Statement-Appendix B-Draft
- Bond Purchase Agreement-Draft
- Second Supplemental Paying Agent Agreement-Draft
- Notice of Intention to Sell-Draft
- Notice of Sale-Draft
- 2016 Affordable Housing Bond Implementation Report - Dec 05, 2023