



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing



Date: June 7, 2016
Board Meeting Date: June 28, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Ken Cole, Director, Department of Housing

Subject: **Measure A:** Affordable Rental Housing Preservation Program (ARHPP)

RECOMMENDATION:

Measure A: Adopt a resolution:

- A) Authorizing the establishment of a program, as part of the Affordable Housing Fund (AHF), to fund the acquisition and preserve the affordability of apartment buildings rented at below-market rates in San Mateo County; and
- B) Authorizing the Department of Housing to provide loans through a Notice of Funding Availability (NOFA) totaling up to \$10 million in **Measure A** funds to experienced developers and operators of affordable housing to acquire and preserve such naturally-occurring affordable housing and concurrently restrict building rents;

BACKGROUND:

The Board of Supervisors recognizes the negative effects on low- and moderate-income households of apartment sales which result in rent increases and displacement. The growing need for affordable housing in San Mateo County requires a multi-pronged approach which includes both the construction of new affordable housing and the preservation of existing affordable housing.

In March 2015, the Board allocated \$12 million in **Measure A** and Housing Authority of the County of San Mateo (HACSM) Moving to Work funds for affordable housing initiatives. The Department of Housing issued the Affordable Housing Fund, Round 3.0, Notice of Funding Availability (AHF 3.0 NOFA) which included a Multifamily Preservation Demonstration award category intended to provide capital for the acquisition and minor rehab of at least one mid-size, multi-family rental development with below market rents. Under the program, rent restrictions were to be added to the acquired building(s), securing below market rents for lower income households for years to come. Through a competitive process, the Department of Housing selected MidPen Housing and awarded \$1,000,000 to the organization to pilot the program. The County subsequently added \$420,000 to the original award. The \$1.42 million

loan supported the purchase of a 9-unit property in Pacifica, CA that met the parameters of the demonstration pilot.

In February 2016, the Board adopted a resolution approving a \$2.5 million loan to HIP Housing for the purchase of a 16-unit apartment building at 1110 Cypress in the City of San Mateo. This acquisition was also consistent with the overarching goal of preserving naturally occurring affordable housing in San Mateo County.

Since that time, the Board has been made aware of additional opportunities to acquire naturally affordable rental housing in the County. Due to the high cost of this type of acquisition, and the need to react quickly to compete with private speculators willing to evict low-income tenants, the Board wishes to formalize and fund an affordable rental housing preservation program for considering these proposals, rather than dealing with each in a one-off, case-by-case manner.

DISCUSSION:

The Department of Housing proposes to use \$10 million in **Measure A** funds to launch the San Mateo County Affordable Rental Housing Preservation Program (ARHPP), a special sub-fund within the Affordable Housing Fund (AHF). Through ARHPP, the Department would:

- Provide fast-moving, flexible acquisition funding to nonprofit and mission-driven for profit developers and owners to acquire and preserve existing, naturally affordable multifamily housing;
- Apply rent restrictions to preserve these properties as affordable housing for low- and moderate-income households for a minimum of 30 years;
- Improve the quality and condition of naturally affordable housing by addressing deferred maintenance and obsolete systems;
- Protect existing tenants from displacement and potential homelessness and rent vacant units to new low income households;
- Leverage other public and private funding from (a) owner equity, (b) other public funds, and (c) private and public debt; and
- Work with borrowers to structure financing scenarios which eventually pay down a portion of the County’s acquisition loan to bring it more in line with the size of typical new construction project loans.

The resolution has been reviewed and approved by County Counsel as to form.

Approval of these actions contributes to the Shared Vision 2025 of a Livable Community in that they provide funding for activities that work toward preserving affordable housing opportunities for lower income community members.

PERFORMANCE MEASURE(S):

Measure	FY 2015-16 Actual	FY 2016-17 Projected
Housing Units Preserved	25 units	40 to 100 units

FISCAL IMPACT:

The net County cost is up to \$10 million in **Measure A** funding.