



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing



Date: March 8, 2013
Board Meeting Date: March 26, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Duane Bay, Director
Subject: Agreement with MP The Farm

RECOMMENDATION:

Adopt a Resolution authorizing the Director of the Department of Housing to execute an agreement with MP The Farm to provide funding for the Woodlands-Newell Apartments acquisition-rehabilitation project for the term of March 26, 2013 through March 25, 2017, in an amount not to exceed \$2,653,755.

BACKGROUND:

Through two fiscal-year funding rounds, the County Board of Supervisors in May 2011 and May 2012 approved allocations totaling \$2,653,755 of Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME) funds to assist in the Woodlands-Newell Apartments acquisition-rehabilitation project in East Palo Alto. County funds will be used only for the rehabilitation component, including soft costs. Total project costs, including acquisition, are estimated at \$13.6 million. The project comprises 49 existing units distributed in two properties within a block of each other. The developer is MP The Farm, a nonprofit affiliate of MidPen Housing.

DISCUSSION:

CDBG funds of \$1,647,355 and HOME funds of \$1,006,400 will be used to upgrade housing, including making structure repairs, in the Woodlands-Newell scattered-site project located at 1761-1767 Woodlands Avenue and 44-48 Newell Road, consisting of 23 and 26 units respectively, for a total of 49 units ("Project"). Both developments are owned by different affiliates of MidPen Housing: Woodlands is owned by MP Woodlands Corporation and EPA Woodlands Associates; and Newell by MP Belle Haven Inc.

MidPen's strategy is to combine the two developments into a single tax credit project to raise the bulk of funds for the Project. Eligibility for tax credit financing of existing developments requires a new legal owner and a certain amount of rehabilitation.

Accordingly, MP The Farm will legally acquire the properties and undertake the rehabilitation. No County or tax-credit funds will be used for acquisition. The sale will be transacted with a combination of a Seller "take-back" note and a bank loan. For additional leverage, MP The Farm was certified in November 2012 as a Community Housing Development Organization (CHDO) under the HOME Program. This CHDO designation allows access to the County's build-up of CHDO reserves. As a HOME grantee, the County is required by HUD to set aside at least 15% of each year's HOME allocation for CHDO projects. The HOME investment in this project is taken entirely from the County's unused CHDO reserve.

HUD imposes timeliness of use criteria on local jurisdictions' CDBG and HOME funds. CHDO set-aside reserves can only be used by CHDOs, of which there are only a few in the County. Execution of the funding agreement is one of the HUD milestones for timeliness of use of funds. Toward this end, the subject funding agreement is written to facilitate release of funds incrementally based on sufficient safeguards in compliance with HUD and County prudent due diligence standards.

The Resolution and Agreement have been reviewed and approved by County Counsel, and Risk Management has reviewed and approved Contractor's insurance. Contractor has assured compliance with County's Contractor Employee Jury service ordinance as well as other contract provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless, non-discrimination and equal benefits.

The requested Board action also gives authority to the Director of the Department of Housing or the Director's designee to execute contract amendments modifying the County's maximum fiscal obligation by no more than \$25,000 (in aggregate) and/or modifying the contract term and/or services so long as the modified term or services is/are within the current or revised fiscal provisions. Approval of this Agreement contributes to the Shared Vision 2025 outcome of a Livable Community in that rehabilitating 49 affordable units would help sustain the County's supply of long-term affordable housing.

PERFORMANCE MEASURE(S):

Measure	FY 2011-12 Actual	FY 2012-13 Projected
Number of county-funding housing units developed and occupied	49	121

FISCAL IMPACT:

There is no Net County Cost. The project has been included in the Department of Housing's FY 2012-13 budget and will be funded with \$1,647,355 CDBG and \$1,006,400 HOME Program funds, totaling \$2,653,755.