



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing



Date: May 29, 2014
Board Meeting Date: July 15, 2014
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: William Lowell, Director
Subject: Agreement with Willow Housing LP

RECOMMENDATION:

Adopt a Resolution authorizing the Director of the Department of Housing to execute an agreement with Willow Housing LP to provide funding for development of the Willow Housing rental housing project on the Veteran's Administration Campus in Menlo Park for the term of August 1, 2014, through July 31, 2018, in an amount not to exceed \$1,775,000, and to decrease said agreement by up to \$600,000 if and when Willow Housing LP receives substitute funding from the Veteran's Administration.

BACKGROUND:

On April 9, 2013, the San Mateo County Board of Supervisors approved a total allocation of approximately \$13.4 million in unrestricted general funds to be used for affordable housing purposes. These funds, hereafter referred to as the County's Affordable Housing Fund, or "AHF," were derived from a one-time distribution of Housing Trust Funds held by former redevelopment agencies in San Mateo County. The Department of Housing was tasked with developing an allocation process and bringing funding recommendations back to the Board for action.

The Board of Supervisors specified that 75%, or approximately \$10 million, of the total allocation go toward the following: (a) approximately \$8 million for development of affordable rental housing projects in former redevelopment agency cities that were in the planning stages of development at the time the agencies were dissolved, or for development of affordable rental housing projects in the unincorporated County; and (b) approximately \$2 million for the acquisition or acquisition/rehab of small-scale residential properties by non-profit organizations in order to provide transitional or permanent housing for special needs populations anywhere within the County.

The Board further specified that for projects in the affordable multifamily rental housing category: (a) the project must be ready for occupancy within 2-5 years from receipt of

the funding, (b) the County contribution must leverage funds from other public and private sources including City funds, (c) the project must target a portion of the units for homeless families or individuals, or those at risk of homelessness, and (d) the project must be in a state of readiness to reasonably warrant commitment of funds by the end of FY 2013-14.

On August 30, 2013, the Department of Housing issued a Notice of Funding Availability for affordable multifamily rental housing developments, shelter projects and small-scale transitional and permanent supportive housing projects. Of the seven applications received in response to the competitive process for affordable multifamily rental housing developments, six were recommended for funding by Department of Housing staff and the Housing & Community Development Committee, an advisory body to the Board.

On January 28, 2014, the Board of Supervisors approved a total of \$8 million in AHF funding allocations for six affordable multifamily rental housing developments, including AHF in an amount not to exceed \$1,400,000 for the subject action, which met all of the AHF funding priorities and guidelines.

Additionally, on May 7, 2014, \$375,000 in HOME funding was designated for the Willow Housing project from the FY2013-2014 HOME allocation to support predevelopment costs and site clearance. That funding will be combined with the AHF funding to provide a maximum funding allocation of up to \$1,775,000.

DISCUSSION:

The requested Board action gives authority to the Director of the Department of Housing or the Director's designee to negotiate and execute an Agreement with Willow Housing LP providing up to \$1,775,000 in AHF and HOME funds in the form of a secured loan for development of the Willow Housing development on the VA Campus in Menlo Park. The development will create 59 affordable permanent housing units for veterans who are homeless, formerly homeless, or at risk of homelessness in and around San Mateo County. The applicant has indicated that it expects an additional award from the VA in an amount up to \$600,000, but that it will not know for sure until the end of 2014 and receiving the higher award from the County at this time will improve the chances of being awarded Low Income Housing Tax Credits. If the applicant is awarded the VA funding, the County award will be lowered by the amount awarded by the VA, and the recovered AHF funds will be split between the University Avenue Senior Housing project and the Gateway Apartments redevelopment project in equal amounts.

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 Resolution contributes to the Shared Vision 2025 outcome of a Livable Community by constructing a project that would help increase the County's supply of affordable housing.

The Resolution has been reviewed and approved by County Counsel. The Agreement will be reviewed by County Counsel as to form and to ensure adequate insurance and compliance with County's Contractor Employee Jury service ordinance, as well as other required provisions, including but not limited to hold harmless, non-discrimination and equal benefits.

PERFORMANCE MEASURE(S):

Measure	FY 2013-14 Actual	FY 2014-15 Projected
Units of affordable housing developed, or under development, using former Low/Mod funds (Cumulative)	200	350

FISCAL IMPACT:

The proposed loan agreement is for an amount not to exceed \$1,775,000, and will be funded by the Affordable Housing Fund (\$1,400,000) and the HOME Program (\$375,000). There is no net county cost.