



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing



Date: May 30, 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 Menlo Gateway Inc.

RECOMMENDATION:

Adopt a Resolution authorizing the Director of the Department of Housing to execute an agreement with Menlo Gateway Inc. to provide funding for development of the Gateway Apartments redevelopment project in Menlo Park for the term of August 1, 2014, through July 31, 2018, in an amount not to exceed \$400,000, and to amend said agreement increasing the amount by up to \$300,000, if and when Willow Housing LP receives substitute funding from the VA for the Willow Housing project.

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 the subject action, which met all of the AHF funding priorities and guidelines.

DISCUSSION:

The requested Board action gives authority to the Director of the Department of Housing or the Director's designee to negotiate and execute a loan agreement with Menlo Gateway Inc. providing up to \$400,000 in AHF funds in the form of a secured loan for redevelopment of the Gateway Apartments in Menlo Park. The development will replace 42 units of obsolescent rental units with 89 new affordable senior housing units. While the Department of Housing approved up to \$400,000 in funding, additional funding of up to \$300,000 may be available from the Willow Housing project. The Willow Housing project applicant has indicated that it expects an additional award from the Veteran's Administration (VA) in an amount up to \$600,000, but needed the higher award from the County at this time to improve its chances of being awarded low income housing tax credits. If and when the VA funding is awarded, which is expected to be towards the end of calendar year 2014, the County award will be lowered by the amount awarded by the VA, and the remaining 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, which will review and approve the final Agreement as to form. Compliance with applicable insurance requirements, the County's Contractor Employee Jury service ordinance, hold harmless, non-discrimination and equal benefits provisions and other County requirements will be confirmed.

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 contract is for an amount not to exceed \$400,000, with a possible increase to a total amount not to exceed \$700,000, and will be completely funded by the Affordable Housing Fund.