



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing



Date: January 6, 2016
Board Meeting Date: February 9, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Ken Cole, Director
Subject: HIP Housing Apartment Acquisition

RECOMMENDATION:

Adopt a resolution:

- A) Approving a loan to HIP Housing for \$2.5 million for the purchase of an apartment building at 1110 Cypress in the City of San Mateo; and
- B) Authorizing the Director of the Department of Housing to execute a loan agreement with HIP Housing as approved by County Counsel.

BACKGROUND:

During Board discussion of the Housing White Paper at a Housing Study Session in January, 2015, the topic of the preservation of existing naturally affordable housing units (older apartment buildings with low rents) was mentioned as an area the County should explore. Soon after the Housing Study Session, the Department of Housing released a Notice of Funding Availability (NOFA) to allocate \$6 million (\$2.5 million from **Measure A** and \$3.5 million from Moving to Work reserves) to housing development activities. A \$1 million pool was designated for a pilot housing preservation program. MidPen Housing applied for that funding and now has an apartment building under contract toward which that funding will be applied. In the meantime, other opportunities have been presented to the Department of Housing that match the intent of the pilot program. These apartment purchase opportunities typically have some pressing time constraints that call for expedited consideration by the County and quick decisions as to County participation through upcoming loan programs. Such is the case with the purchase of the property at 1110 Cypress in the City of San Mateo. HIP Housing, one of the County's partners working to provide solutions to pressing housing issues, primarily through its homesharing and self-sufficiency programs, has requested a \$2.5 million County loan toward the purchase of the apartment building with the intent of preserving 16 housing units for lower income renters earning less than 100 percent of the area median income.

DISCUSSION:

The apartment building at 1110 Cypress is a 16 unit, 50 year-old building currently owned by one of HIP's supporters. He has offered to sell the building to HIP for \$5 million, a price below the reported market value of \$5.4 million. HIP has requested a \$2.5 million loan from the County and has provided all requested supporting documentation through the County's CDBG/HOME NOFA, which was submitted to the Department of Housing on January 22, 2016. Housing staff requested their application be submitted in this manner so that all documentation needed for the Department's due diligence review would be submitted in a timely manner. HIP is also in discussions with the City of San Mateo for a \$1.1 million loan from its HOME program balance, and it will combine public funding with \$500,000 from its own reserves and a private mortgage from a lender who currently has a loan on the property through the current owner. The Department's due diligence process shows that the project meets County needs in preserving naturally affordable housing units. The initial review provided enough positive indicators to warrant moving forward with funding. Staff has requested additional information from HIP (appraisal and final Preliminary Needs Assessment). If these documents do not positively support finalizing funding of the project, staff will report back to the Board.

This opportunity came to the Department through an informal process stemming from the pilot program initiated through the NOFA in the Spring of 2015. With no formal procedure in place for these activities, the Department has had to work with the County Manager's Office (CMO) and members of the Board to determine how best to address HIP's request. There are several funding sources from which the Department can draw for this loan, including \$2 million from Moving to Work reserves, \$2.3 million in "boomerang" funds recently received from Redwood City, \$6 million from Measure A (Affordable Housing Fund 4.0 [AHF 4.0], but not available until July 1, 2016), \$600,000 remaining from AHF 3.0, \$1 million **Measure A** funding returned from HEART that was to be matching funds for a failed State funding application, \$200,000 remaining from funding for housing issues from **Measure A**, and about \$2.5 million in the current CDBG/HOME NOFA (also not available until July 1, 2016). Housing staff proposes use of \$1 million returned from HEART, \$1.3 million from the Redwood City boomerang funding, and \$200,000 from **Measure A**. Housing staff is currently working to formalize a housing preservation policy to address intake and consideration of future requests for acquisition loans.

PERFORMANCE MEASURE(S):

Measure	FY 2015-16 Actual	FY 2016-17 Projected
Housing Units Preserved	25	TBD

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FISCAL IMPACT:

The funding source for this loan will be \$1 million **Measure A** funding returned from HEART, \$1.3 million from the Redwood City boomerang funding (General Fund), and \$200,000 from FY 2015-16 **Measure A**.