



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: December 4, 2012

Board Meeting Date: December 11, 2012

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Affordable Housing Agreement with Fuller Street Partners regarding a remnant road parcel at 490 Winslow Street, Redwood City.

RECOMMENDATION:

Adopt a Resolution authorizing:

- A) The President of the Board of Supervisors to execute an Affordable Housing Agreement with Fuller Street Partners, LLC, for the parcel at 490 Winslow Street, Redwood City, and
- B) The County Manager, or designee, to execute on behalf of the County any and all notices, escrow instructions, and other documents in connection with the Agreement.

BACKGROUND:

In 1996, the County acquired an approximately five thousand square foot parcel of property on Winslow Street by eminent domain in connection with a road realignment project. Approximately 2,000 square feet of the parcel were incorporated into the Winslow Street right-of-way. The remaining 3,056 square foot remnant of the parcel (the "Winslow Remnant") is less than the minimum size required for independent development.

In November 2005, the County executed a purchase and sale agreement transferring the Winslow Remnant to Tuscan Tower, LLC ("Tuscan") in connection with Tuscan's development of a condominium project. In exchange, Tuscan agreed to pay closing costs and to include two units of affordable housing in its proposed condominium project. To ensure compliance, the agreement provided that the County could exercise a right of reversion and reclaim title to the property if the developer did not record a subdivision map within three years or begin construction within four years. This reversion right was set forth in a document that was recorded against the property. Tuscan encountered delays with its project and was unable to meet the deadlines and

the Agreement was amended by this Board in February 2009 to extend the timelines related to the County's right of reversion. Tuscan ultimately filed for bankruptcy in 2011, and in April 2012, the Winslow Remnant and adjacent property were sold for \$1.75 million in a Trustee's foreclosure sale to Fuller Street Partners, LLC ("Fuller Street").

DISCUSSION:

Fuller Street acquired the property previously owned by Tuscan in order to construct an apartment complex that will initially be marketed as a rental property before it converts to condominiums at an unspecified time in the future. Redwood City has held public hearings on, and is soon expected to approve, a Tentative Subdivision Map and a Planned Community Permit for the construction of a common interest development comprised of 66 residential units on the property owned by Fuller Street.

As noted, the County's reversionary interest in the Winslow Remnant is reflected in a recorded document that runs with the property and the County therefore still owns a right of reversion that presently entitles it to recover title to the property. As a result, Fuller Street and the County have negotiated a proposed agreement whereby the County would agree not to exercise its reversionary interest in exchange for an increase in the number of affordable housing units from two to four. Such units would be comprised of two studio units and two one-bedroom units and the rent for these units would be set at a level affordable to persons and families of low income. If Fuller Street elects to sell the units individually as condominiums, it must ensure that the sales prices of the affordable units are affordable to persons and families of low income for a period of forty-five (45) years, and also ensure that the tenants occupying such units are given the opportunity to purchase.

Under the terms of the proposed agreement, if Fuller Street Partners does not commence construction within two (2) years, the County can demand payment of \$710,000. The making of this payment would not relieve Fuller Street Partners of the obligation to construct the affordable housing units.

As noted, the County presently has a right to exercise its right of reversion with respect to the Winslow Remnant, but Staff does not recommend that the County do so. If the County were to exercise the right of reversion, and Fuller Street elects to proceed with a project of reduced size on the remaining 15,000 square foot site, the County's isolated 3,000 square foot remnant would have little or no value for development. Such an action might eliminate an opportunity for expected and much-needed affordable housing. Further, even if another party agreed to build affordable housing if granted the Winslow Remnant, exercising the County's right of reversion would delay the building of such housing beyond the time it would take Fuller Street to do so. Finally, in purchasing the Winslow Remnant in the bankruptcy trustee sale which was open to all members of the public, Fuller Street reasonably concluded that it would be able to use it in connection with a project that includes affordable housing, and there appears no reason to act contrary to Fuller Street's reasonable expectations.

The transaction is categorically exempt under CEQA.

County Counsel has reviewed the Resolution and Agreement as to form. The Director of the Department of Housing concurs in this recommendation.

Approval of this action contributes 2025 Shared Vision of a Livable Community by promoting much needed affordable housing near transit.

FISCAL IMPACT:

None. By entering this Agreement the County is agreeing to forego exercising its right of reversion in exchange for the construction of four affordable housing units.