



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing



Date: October 6, 2016
Board Meeting Date: November 15, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Ken Cole, Director, Department of Housing

Subject: Measure A: Acquisition of Atherton Court Apartments

RECOMMENDATION:

Measure A: Adopt a resolution:

- A) Authorizing a loan to MidPen Housing of \$5,883,211 for the acquisition of real property located at 3752-3770 Rolison Road, also known as Atherton Court, in Redwood City; and
- B) Authorizing the Director of the Department of Housing, or the Director's designee, to execute a loan agreement with MidPen Housing for the acquisition of Atherton Court in Redwood City, as approved by County Counsel.

BACKGROUND:

On June 28, 2016 the Board of Supervisors adopted a resolution to allocate \$10 million in **Measure A** funding to establish a program to fund the acquisition and to preserve the affordability of apartment buildings rented at below-market rents in San Mateo County. The Board of Supervisors established the Affordable Rental Acquisition and Preservation Program (ARAPP) in recognition of the negative effects on low- and moderate-income households when the sale of existing apartment buildings results in rent increases and displacement.

In an effort to preserve existing, naturally occurring affordable housing, the San Mateo County Department of Housing has provided loan funds to two projects including a nine-unit project located at 168 Pacific Avenue in Pacifica acquired by MidPen Housing and a sixteen unit project located at 1110 Cypress in the City of San Mateo acquired by HIP Housing.

In early 2016, MidPen Housing, working in partnership with Abode Services, became aware that Atherton Court, a property located at 3752-3770 Rolison Road in Redwood City was being offered for sale. In order to preserve these 55 units of naturally-occurring affordable housing, MidPen Housing submitted an offer to purchase Atherton Court. MidPen Housing has worked closely with the San Mateo County Department of Housing to structure the acquisition and long term operation of Atherton Court to comply with the requirements of the ARAPP loan program.

DISCUSSION:

MidPen Housing applied for funding under ARAPP to support the acquisition of Atherton Court in Redwood City. This property is made up of three buildings with a total of 55 apartments, including 53 studios and two one-bedroom apartments. In negotiating the purchase of this property, MidPen Housing and Abode Services, a service provider working with many of the existing tenants at Atherton Court, became aware of pending offers on the property in which the proposed buyers were seeking to purchase the property fully vacant, which would result in the displacement of 100% of the existing tenants. Because of the need to move quickly to provide funding for the purchase of Atherton Court, the Department of Housing has been working closely with MidPen Housing and has completed underwriting on the project.

Currently at least 47% of the households living at Atherton Court receive some type of rental assistance through either Section 8 Housing Choice Vouchers, HUD VASH Vouchers, or rental assistance from LifeMoves or from Abode Services. MidPen Housing proposes to acquire Atherton Court and complete all health and safety repairs, rent the current vacant units, and any units that become vacant, to tenants at or below 60% AMI. MidPen has also agreed to accept existing holders of Section 8 Housing Choice Vouchers to fill vacant units. Once MidPen has acquired Atherton Court, it plans to restructure the project financing and apply for Low Income Housing Tax Credits and other permanent affordable housing financing. MidPen intends to conduct a comprehensive property needs assessment to identify all the deferred maintenance and property upgrades needed to create a healthy and safe living environment for the tenants and to extend the useful life of the property. MidPen will maintain a rent schedule that results in long term affordability for tenants at or below 80% AMI, in line with the requirements of the ARAPP. MidPen has agreed to set aside units targeted to households with incomes at or below 30% AMI and to offer housing options to San Mateo County clients including homeless and special needs populations.

As proposed, the acquisition and rehabilitation of Atherton Court meets all of the goals established by the **Measure A**-funded ARAPP loan program including preservation of naturally affordable rental housing, conversion of unsubsidized rental housing to long term, rent-restricted rental housing serving low, very-low, and special needs populations, and minimizing the displacement and potential homelessness of existing residents. Furthermore this project will improve the quality and condition of 55 units of existing rental housing by addressing deferred maintenance and obsolete systems. The project will also leverage other private and public funding including (a) owner's equity, (b) other public funds, and (c) private and public debt.

MidPen Housing has submitted an offer to purchase Atherton Court for \$17.1 million. The total development cost for the Atherton Court project is estimated at \$29.1 million and includes substantial rehabilitation which will be funded once MidPen acquires the property, leveraging the acquisition loan from the San Mateo County ARAPP in the amount of \$5,883,211 with a loan from the Housing Trust of Silicon Valley, equity invested through the Low Income Housing Tax Credit allocation and other sources.

This memorandum and attached resolution have been approved by County Counsel. All loan documents will also be approved by County Counsel.

Approval of this resolution contributes to the Shared Vision 2025 outcome as a Livable Community by ensuring that rental units remain affordable to lower income residents of San Mateo County.

PERFORMANCE MEASURE(S):

Measure	FY 2016-17 Actual	FY 2017-18 Projected
Acquire and preserve 55 units of affordable housing.	0	55 rental housing units

FISCAL IMPACT:

This project will utilize \$5,883,211 from ARAPP, a **Measure A**-funded program.