



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing



Date: September 8, 2016
Board Meeting Date: October 18, 2016
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors (Sitting as the Board of Commissioners of the Housing Authority of the County of San Mateo)

From: Ken Cole, Executive Director

Subject: Acquisition of Bayshore Park in Daly City in Support of Affordable Housing Creation

RECOMMENDATION:

Acting as the Governing Board of the Housing Authority of the County of San Mateo, adopt a resolution:

A) Authorizing the transfer from the City of Daly City to San Mateo County Housing Authority, Inc. (SAMCHAI), a nonprofit affiliate of the Housing Authority of the County of San Mateo ("HACSM"), of fee title to Bayshore Park in Daly City in exchange for HACSM paying for certain obligations related to the clean-up of contaminated soils found at Bayshore Park and Midway Village; and

B) Authorizing the Executive Director of HACSM, or the Executive Director's designee, to execute a contract with the City of Daly City for acquisition of Bayshore Park that is materially consistent with the terms set forth in Attachment A to this resolution.

BACKGROUND:

Midway Village is an aging, 150-unit affordable rental housing development located on approximately 12 acres in the Bayshore neighborhood of Daly City. It was built by the Housing Authority of the County of San Mateo ("HACSM") in the mid-1970's and has been continuously owned and operated by HACSM and recently its nonprofit affiliate, San Mateo County Housing Authority, Inc. ("SAMCHAI").

On March 29, 2016, the Board of Supervisors, sitting as the Board of Commissioners of the Housing Authority of the County of San Mateo ("Governing Board"), affirmed the overall concept of redeveloping the Midway Village site in order to provide new housing

and associated amenities. The Governing Board also authorized HACSM to undertake a planning process leading to the successful redevelopment of Midway Village. HACSM plans to engage an affordable housing developer to redevelop Midway Village in order to better utilize the site to provide an increased number of critically-needed new homes affordable to households with a range of incomes, along with a new childcare center to replace the current Bayshore Child Development Center facility (the "Midway Village Redevelopment Project"). SAMCHAI will retain ownership of the land and enter into a long-term ground lease with the affordable housing owner.

The City of Daly City ("Daly City") owns and operates Bayshore Park (also known as "David R. Rowe Park"), a neighborhood park located adjacent to Midway Village. SAMCHAI seeks to acquire Bayshore Park for the purposes of creating a better overall site plan for the Midway Village Redevelopment Project and providing better public access and parking for a new public park space that will replace the current park.

In 1991 contaminated soils were discovered affecting both Bayshore Park and a portion of the Midway Village site. Remediation efforts were carried out under the direction of the California Department of Toxic Substance Control ("DTSC"). In 2008, DTSC entered into a release and settlement agreement with Daly City, various federal entities, HACSM, and Pacific Gas & Electric in response to DTSC's claims against each of them for recovery of certain costs it allegedly incurred in response to the release or threatened release of hazardous substances at the Bayshore Park Site. At around the same time, a Memorandum of Understanding ("MOU") was signed between Daly City and HACSM identifying the duties and responsibilities of the parties in meeting the timelines and financial obligations to be made to DTSC pursuant to the settlement agreement. The MOU stated that the parties "anticipate the eventual transfer of ownership and probable redevelopment of both the Midway Village site and the Bayshore Park site" and in addition provided for HACSM, HACSM's affiliate, or the County to acquire fee title to Bayshore Park in consideration for HACSM paying off the "joint and several" remediation response cost obligations ("Response Costs") due to DTSC, as well as the remediation costs and DTSC carrying charges already incurred by Daly City, related to contaminated soils found at Bayshore Park and Midway Village.

DISCUSSION:

The draft term sheet attached to this resolution was negotiated between HACSM and Daly City. It establishes the terms whereby Daly City will transfer fee title to Bayshore Park to HACSM or SAMCHAI in consideration for HACSM satisfying the "joint and several" Response Costs due to DTSC and the remediation costs and DTSC carrying charges already incurred by Daly City. The cost to HACSM to satisfy Daly City's obligations and incurred costs is approximately \$739,095 (\$360,000 for Daly City's portion of the Response Costs obligation if this is paid by October 27, 2016; \$84,000 for Daly City's carrying charges; and \$295,095 for Daly City's remediation costs). Separately, the cost to HACSM to satisfy HACSM's portion of the Response Costs obligation is \$360,000 if this is paid by October 27, 2016. The Response Costs obligation increases annually, to a total of \$1,000,000, until it is paid off.

The Bayshore Park site will be incorporated into the site plan for the Midway Village Redevelopment Project, and a new park site will be identified within the area to be redeveloped and will be deeded back to Daly City. An essential component, and benefit, of the redevelopment effort will be the remediation or mitigation of any contaminated soils that may still exist and pose a health or safety threat.

This resolution has been reviewed and approved as to form by County Counsel. Approval of this resolution contributes to the Shared Vision 2025 outcome as a Livable Community by increasing the overall supply of affordable housing

PERFORMANCE MEASURE(S):

Measure	FY 2015-16 Actual	FY 2016-17 Projected
NA		

FISCAL IMPACT:

The Housing Authority will use Midway Village project reserves as the source of funds for payments totaling approximately \$1,099,095 to DTSC and the City of Daly City in conjunction with acquisition of Bayshore Park.