



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 16-851

Board Meeting Date: 12/12/2017

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Ken Cole, Director of San Mateo County Department of Housing

Subject: **Measure K:** Loan to Giusti Farms LLC in the Amount of \$300,000 for Farm Labor Housing at 1800 Higgins Canyon Road, Half Moon Bay, California

RECOMMENDATION:

Measure K: Adopt a resolution authorizing:

- A) A loan agreement with Giusti Farms LLC, in the amount of \$300,000 for two new mobilehome units to serve as farm labor housing pursuant to the County's Farm Labor Housing Pilot Program for a term beginning December 12, 2017, through the date on which the loan is discharged; and
- B) The Director of the Department of Housing, or the Director's designee, to negotiate and execute the loan agreement and associated loan documents, as approved by County Counsel, with Guisti Farms LLC.

BACKGROUND:

The Housing Element of the County's General Plan identifies improving farm labor housing as an important need. Since 2014, the Board of Supervisors has allocated funds for initiatives to address the need for agricultural workforce housing, including commissioning an Agricultural Workforce Housing Needs Assessment and a program to repair or replace existing, or create new, agricultural workforce housing, including farmworker housing.

In 2014, the Board, sitting as the Board of Commissioners of the Housing Authority of the County of San Mateo, approved the allocation for \$500,000 of Moving to Work Funds (Voucher Reserves) for the Farm Labor Housing Pilot Program (previously identified as the "Farmworker Housing Rehabilitation Pilot Program") (the "Pilot Program"). The Board later replaced the Moving to Work Funds with Measure A funds to enable the County to better tailor the Pilot Program to meet local needs. The Board subsequently committed Measure A and K funds in the amount of \$500,000 in FY 2014-15, \$500,000 in FY 2015-16, \$500,000 in FY 2016-17, and \$750,000 in FY 2017-18 to the Pilot Program.

The County created the Farm Labor Housing Pilot Program to build partnerships and provide resources to enable farmers and agricultural landowners to provide safe and affordable housing for the County's low-income agricultural workforce. Initially, the Pilot Program focused on the rehabilitation of existing farmworker housing and the replacement of existing dilapidated mobilehome units. As described in more detail below, the Pilot Program has expanded to include the construction of new housing. In all cases, the direct beneficiaries of the Pilot Program will be the very low-income farmworkers who reside in the new and rehabilitated units.

The Farm Labor Housing Pilot Program provides loans to qualified applicants for the construction of new farmworker housing units or the rehabilitation or replacement of existing farmworker housing units ("project units"). There are two types of loans available for qualifying projects: (1) a standard loan at a three percent interest rate, and (2) a no-interest forgivable loan.

To qualify, a project must meet a number of criteria, which are detailed in the Pilot Program guidelines and enforced by a loan agreement. Notably, all qualifying projects must be located in San Mateo County, and project units must be rented to "eligible farmworkers" - farmworkers who are engaged in full-time agricultural work in San Mateo County during the agricultural season and who are very-low income (earning less than 50 percent of the area median income). In addition, the project units must remain in use as housing for eligible farmworkers for the duration of the loan, and participating owners must agree to maintain rent at very low levels set forth in an agreement with the County (and in no event may rent exceed 30 percent of the eligible farmworker's income). The Department of Housing shall monitor compliance with the terms and conditions of the loan on an annual basis until the loan is discharged.

DISCUSSION:

The approximately 1,700 farmworkers in San Mateo County face many challenges, including a lack of safe and affordable housing, adequate food, health care, and transportation. The high cost of living in San Mateo County exacerbates these challenges.

The Agricultural Workforce Housing Needs Assessment, which was completed in 2016, identified the need for over 1,000 new units for the agricultural workforce. In light of this information, the County has expanded the Farm Labor Housing Pilot Program to include construction of new housing and the addition of new mobilehome units (now referred to as the Farm Labor Housing Pilot Program Phase III). The Pilot Program provides for loans of up to \$150,000 for each new unit provided, up to a maximum of two units for each application. Similar to the loans for rehabilitation and replacement projects, the loans for new construction projects require the applicant to contribute 20 percent of the value of the County loan to the project. The loans are interest free and will be forgiven at the rate of \$10,000 per year per unit, assuming the operator maintains the required very low rent levels and all other contractual terms and conditions are satisfied.

If approved by the Board, the County will loan Giusti Farms LLC \$300,000 to carry out the new construction project (\$150,000 for each of the new mobilehome units), and Giusti Farms LLC will cover the remainder of the project cost, with a minimum of 20 percent of the loan value (\$30,000 for each mobilehome unit) required as a match for the County loan. The no-interest loan will be forgiven at a rate of \$20,000 a year (\$10,000 per year for each mobilehome unit) over 15 years. Loan forgiveness will commence once the units are installed and occupied by eligible farmworker tenants.

For the duration of the loan, the occupancy of the housing will be restricted to very low-income farmworkers and available at rental rates that remain affordable to very low-income households. Occupancy restrictions and rental rates will be monitored by the Department of Housing for the life of the loan. In addition, due to their location in the Planned Agricultural Zoning District, the new housing units will be restricted to use by farmworkers for the life of the units.

The resolution authorizes the Director of the Department of Housing, or the Director's designee, to negotiate and execute the loan agreement and associated loan documents with Giusti Farms. Those documents are still in the process of being finalized. The resolution requires the County Counsel's Office to approve the loan agreement and associated loan documents before the Director, or his designee, may execute them.

County Counsel has reviewed the resolution as to form.

Approval of this resolution contributes to the Shared Vision 2025 outcome of a Livable Community by enabling the Department of Housing to provide affordable housing to low-income farmworkers.

PERFORMANCE MEASURE:

| Fiscal Year | New and rehabilitated housing units through the program |
|--------------|---|
| FY 2016-2017 | Actual: 4 |
| FY 2017-2018 | Projected: 5 |

FISCAL IMPACT:

The loan will total \$300,000 using funding from the Farm Labor Housing Initiatives, funded through **Measure K.**