



County of San Mateo

Inter-Departmental Correspondence

Department: GOVERNING BOARD

File #: 20-641

Board Meeting Date: 9/15/2020

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: Raymond Hodges, Executive Director, Housing Authority of the County of San Mateo

Subject: Approval of and Authorization to Execute the Phase I Affordable Housing and Property Disposition Agreement

RECOMMENDATION:

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

- A) Authorizing the Executive Director of the Housing Authority of the County of San Mateo (HACSM) to execute a certificate of acceptance for David R. Rowe Park on behalf of HACSM; and
- B) Approving and authorizing the Executive Director of the Housing Authority of the County of San Mateo to execute and implement, an Affordable Housing and Property Disposition Agreement with MP Midway Associates I, L.P., and any agreements and/or documents necessary to implement the same for (1) a loan of up to \$12 million to MP Midway Associates I, L.P., and (2) the ground lease of a portion of Midway Village and David R. Rowe Park to MP Midway Associates I, L.P. for its development and subsequent operation of a rental housing development.

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, SAMCHAI. The City of Daly City (the "City") owns and operates David R. Rowe Park, also known as Bayshore Park (the "Park"), a neighborhood park located adjacent to Midway Village. Prior to May 11, 2017, the Bayshore Elementary School District (the "District") owned a one-half acre parcel containing the Bayshore Child Development Center ("Childcare Center"), which parcel is located within the Midway Village site.

On March 29, 2016, the Board of Supervisors, sitting as the Board of Commissioners of HACSM ("Governing Board"), affirmed the concept of redeveloping the Midway Village site in order to provide

new housing and associated amenities, and authorized HACSM to enter into a four-party Memorandum of Understanding (“MOU”) with the City, the County, and the District. The MOU, executed on March 31, 2016, provided for, among other things, transfer of fee title to HACSM of the District’s parcel containing the Childcare Center that is located within the Midway Village site in consideration for HACSM satisfying the District’s affordable housing requirement associated with the sale and redevelopment of the District’s middle school site adjacent to Midway Village. The District’s parcel was subsequently acquired by HACSM and will be incorporated into the affordable housing redevelopment plan for Midway Village.

Pursuant to the MOU, the City and HACSM have agreed to incorporate the existing Park site into the Midway Village redevelopment plan for the purposes of creating a better overall plan. Subsequent to the MOU, HACSM and the City entered into an option to purchase agreement whereby the City agreed to transfer fee title to the Park to HACSM in consideration for HACSM satisfying the repayment of certain costs related to the remediation of contaminated soils affecting the Park. At the end of the redevelopment process, a new park space with better public access and parking will be deeded to the City and will replace the Park.

Together, the three properties containing Midway Village, the Park, and the Childcare Center (collectively, the “Midway Village Property”) will be redeveloped as part of what is now referred to as the Midway/Bayshore Redevelopment Project (the “Project”).

On October 18, 2016, the Governing Board authorized HACSM to enter into an agreement with the City pursuant to which the City would grant to HACSM an option to purchase the Park in exchange for HACSM paying for certain obligations related to the clean-up of contaminated soils found at the Park (the “City/HACSM Option Agreement”). The City/HACSM Option Agreement was executed on November 11, 2016.

On June 29, 2017, HACSM released a Request for Proposals (“RFP”) seeking experienced and qualified developers interested in redeveloping, owning, operating, and managing affordable housing at the Project site.

On January 23, 2018, the Board of Supervisors, sitting as the Board of Commissioners of HACSM (“Governing Board”) authorized the Executive Director of HACSM to enter into an Exclusive Negotiations Agreement (“ENA”) with MidPen Housing Corporation (“MidPen”) in order to establish terms including the early predevelopment milestones to be achieved prior to execution of a Master Affordable Housing and Property Disposition Agreement (“Master AHPDA”), which will provide the terms for the overall Project, as well as the terms for the individual AHPDAs which will be executed at each phase of the Project. The ENA also establishes the use of certain Midway Village reserves to facilitate achieving these milestones and the roles and responsibilities of the parties.

On March 21, 2018, HACSM and MidPen executed an Exclusive Negotiating Rights Agreement (Midway/Bayshore Redevelopment Project) for a term of 240 days, with the opportunity to extend two times, each for an additional 90-day period (“Negotiating Period”).

On May 14, 2019, the Governing Board authorized the Executive Director of HACSM to enter into a Master Affordable Housing and Property Disposition Agreement between HACSM and Midpen to undertake pre-development and development activities for the Midway /Bayshore Redevelopment Project. On May 28, 2019, HACSM and Midpen executed the Master AHPDA.

DISCUSSION:

HACSM staff and MP Midway Associates I, L.P., a limited partnership established by Midpen (the “Partnership”) have successfully negotiated the Phase I Affordable Housing and Property Disposition

Agreement (“Phase I AHPDA”) which provides for, among other things, (1) HACSM to loan up to \$12 million in Midway Village project reserves to the Partnership, (2) HACSM to ground lease to the Partnership a portion of Midway Village and a portion of the Park Property, and (3) the Partnership to develop and operate thereon a rental affordable housing development containing 147 rental dwelling units, and all but two of such units restricted for rental to and occupancy by income-restricted households and restricted rents.

On August 10, 2020, HACSM notified the City that HACSM was exercising its option to acquire the Park pursuant to the City/HACSM Option Agreement and the City and HACSM have opened an escrow for the purchase of the Park by HACSM. Execution of a Certificate of Acceptance by a duly authorized officer of HACSM is a prerequisite for recordation of HACSM’s real property interest in the Park pursuant to Government Code section 27281.

The ground lease of the Phase I Property to Midpen and the development and subsequent operation of the Project on the Midway Village Property are in furtherance of HACSM’s goals to provide permanent affordable housing and to preserve existing affordable housing units in the County of San Mateo, are in the vital and best interests of the County of San Mateo and the welfare of its residents.

This resolution has been reviewed and approved as to form by County Counsel.

FISCAL IMPACT:

There is no Net County Cost associated with this action. HACSM will use up to \$12 million of Midway Village project reserves as the source of the Phase I AHPDA.