



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 20-637

Board Meeting Date: 9/15/2020

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Michael P. Callagy, County Manager
Subject: Small Residential Rental Property Owners Assistance Program

RECOMMENDATION:

Adopt a resolution:

- A) Establishing the Small Residential Rental Property Owners Assistance Program to provide grants to eligible property owners who have lost residential rental income due to COVID-19; and
- B) Authorizing the County Manager, or designee, to negotiate and execute an agreement with SMC Community Fund to administer the program and distribute grants to recipients for the term September 15, 2020 through December 30, 2020.

BACKGROUND:

On March 24, 2020, the Board of Supervisors (the "Board") adopted Emergency Regulation 2020-001, which placed a temporary Countywide moratorium on residential evictions for renters impacted by COVID-19. The Board extended the protections of Emergency Regulation 2020-001 multiple times, most recently, through August 31, 2020.

On August 31, 2020, Governor Newsom signed into law Assembly Bill 3088 ("AB 3088"), which protects renters statewide from eviction for non-payment of rent due to COVID-19 financial hardship and includes some foreclosure protections for small residential rental property owners.

On September 1, 2020, the Centers for Disease Control and Prevention ("CDC") issued a Temporary Halt in Residential Evictions to Prevent the Further Spread of COVID-19, placing a nationwide temporary moratorium nationwide on residential evictions for non-payment of rent due to COVID-19 financial hardship.

While existing protections have primarily focused on renters, the Board has recognized that local property owners who provide residential rental units in the County are also suffering from the

financial impacts of COVID-19. In recognition of those hardships, on August 4, 2020, the Board adopted a resolution allocating \$2 million in CARES Act Funds to establish the San Mateo County Small Residential Rental Property Owner Assistance Program, and instructed staff to develop the Program with the twin goals of mitigating the financial impacts of COVID-19 on small-scale residential rental property owners and their renters and preserving affordable housing in the County through direct grants to property owners.

DISCUSSION:

A. Program Description

To qualify for financial assistance under the San Mateo County Small Residential Rental Property Owner Assistance Program (“Program”), staff propose that rental property owners meet **all** of the following criteria:

- Reside in the County and lease/rent residential rental property in the County;
- Rely on rental property income as their primary source of income;
- Own 10 or fewer rental units; and
- Have earned less than \$400,000 annual gross rental income in both 2018 and 2019.

Qualifying small rental property owners are eligible to receive grants of up to \$6,000 for each rental unit that meets **all** of the following criteria:

- Is located in the County;
- Is currently occupied by residential renter(s) leasing/renting the unit for 30 days or more (short-term and vacation rental properties are not eligible);
- Is a unit for which the property owner can demonstrate (including, by attesting to) lost rental income due to non-payment of rent during the period of April 1, 2020 through August 31, 2020 as a result of COVID-19;
- Is located in a building and on a parcel free from code violations and unaddressed public liens; and
- Is considered “naturally affordable,” meaning that the rent for the unit is equal to or less than the 2020 HUD Fair Market Rent thresholds for San Mateo County, adjusted for unit size (shown below):
 - Studio: \$2,197
 - 1-Bedroom: \$2,720
 - 2-Bedroom: \$3,339
 - 3-Bedroom: \$4,365
 - 4-Bedroom: \$4,657

While any eligible small rental property owner may receive a grant, qualifying rental units in zip codes with the highest poverty levels and COVID-19 infection rates will be prioritized for relief. Units with the highest losses relative to the property owner’s total income will also receive priority.

Each grant will be no more than \$6,000 per qualifying rental unit. Grants will be equal to 80 percent of the amount of demonstrated lost rental income for the unit between April 1, 2020 and August 31, 2020, up to a maximum grant of \$6,000.

In exchange for receipt of a grant, a recipient property owner must agree to discharge unpaid back-rent owed by the renter(s) of the qualifying rental unit(s) for the period April 1, 2020 through August 31, 2020 in an amount equal to demonstrated rental loss, up to a maximum of \$7,500 in discharge of back-rent ($\$7,500 * 80\% = \$6,000$).

For example, if a property owner who rented a unit for \$2,000/month demonstrated lost rental income for the unit totaling \$5,000 during the period April 1, 2020 through August 31, 2020, the property owner would be eligible for a grant of \$4,000 ($\$5,000 * 80\%$) and, in exchange, would be required to discharge back-rent for the unit totaling \$5,000. In another example for a \$2,000/month unit, a property owner with \$10,000 in total lost rental income would be eligible for the maximum \$6,000 grant, and in exchange, would be required to discharge \$7,500 in back-rent.

B. Program Outreach

Staff conducted outreach to gather input on the proposed Small Residential Rental Property Owner Assistance Program from various stakeholders throughout the County, including representatives of small property owners and real estate industry groups. Key feedback/requests from stakeholders included the following:

- Consider removing the 10-unit limit for eligibility, or increase the maximum number of properties to 20. While the 10-unit limit may exclude many struggling property owners, staff believe this limit is consistent with the Board's intent to prioritize small-scale rental property owners.
- Allowing a maximum grant amount of \$6,000 over the entire five-month period from April 1, 2020 through August 31, 2020, instead of capping the grant amount at a monthly amount. Staff agreed that this format would provide more equitable relief to property owners and this feedback is therefore reflected in staff's proposal.
- Make the discharge of back-rent equal to the grant amount. Staff believe that requiring back-rent discharge equal to the rental losses and providing grants equal to the amount of rental losses minus 20 percent (up to a maximum of \$6,000 grant) is a reasonable compromise and provides additional relief for renters who are still responsible for the balance of accrued rent.
- Remove the geographic prioritization for units in zip codes with the highest poverty and COVID-19 infection rates. Some stakeholders thought that targeting assistance to hard-hit zip codes would reduce naturally-occurring affordable housing in other areas of the County, where it is just as needed. County leadership supports the inclusion of this as a prioritization factor, not an eligibility requirement, because it is consistent with the intent of the program to provide relief to small property owners who are most in need of assistance, and similar geographic prioritization has been used for other programs such as the Child Care Relief Fund grant program and the Geographically Targeted Small Business Assistance Program.

C. Administration of the Program

Staff recognizes the need for a partner specializing in real estate underwriting and grant

disbursement to administer the Small Property Owner Assistance Program. Based on its involvement with other recent County programs, including the San Mateo County Child Care Relief Fund and the San Mateo County Strong Small Business Fund, staff recommends the SMC Community Fund (the "Community Fund") to administer the Program pursuant to the attached draft agreement.

Applications will be submitted online through the SurveyMonkey Apply platform, designed and managed by the County. Applications will be available in English, Spanish, and Chinese.

Once applications are received, the Community Fund will provide underwriting services to determine eligibility and total grant amount for each eligible applicant.

A County advisory team will then review and prioritize eligible applicants and make grantmaking recommendations. The advisory team will consist of members representing the County Manager's Office, the Department of Housing, and other agencies determined by the County Manager.

The Community Fund will notify successful applicants, receive W-9s, disburse the grants, and issue any required 1099s. The Community Fund will provide the County weekly summaries of grants disbursed and maintain all necessary records in accordance with CARES Act requirements.

Outreach will be conducted by the County and other partners in the real estate industry, including the California Apartment Association (CAA) and the San Mateo County Association of Realtors (SAMCAR), who provided key input to the program's development. CAA and SAMCAR have also offered to assist small property owners with the application process as needed.

PERFORMANCE MEASURE(S):

Year	Measure	Target
FY 2020-21	Number of small-scale property owners receiving grants	175
FY 2020-21	Number of renters receiving discharge of back-rent	300
FY 2020-21	Total amount of rent arrears discharged through the program	\$2.5 million

County Counsel has approved this resolution as to form.

FISCAL IMPACT:

The Small Property Owners Assistance Program is funded by \$2,000,000 in CARES Act funding, for which there is no Net County Cost. The administrative fee paid to the Community Fund will total \$150,000, and will be funded by the County General Fund or other appropriate funds identified by the County Manager. Funds for this program are included in the FY 2020-21 budget. There is no Net County Cost associated with this action.