



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 20-840

Board Meeting Date: 11/10/2020

Special Notice / Hearing: None
Vote Required: Majority

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

RECOMMENDATION:

Adopt a resolution:

- A) Modifying the eligibility criteria for the Small Residential Rental Property Owner Assistance Program to potentially reach more property owners who have lost residential rental income as a result of the COVID-19 public health emergency; and
- B) Authorizing the County Manager, or designee, to redirect any undistributed portions of the \$2,000,000 in Coronavirus Aid, Relief, and Economic Security Act funds allocated to the Small Residential Rental Property Owner Assistance Program to another program or programs established by the County for the distribution of CARES Act funds that have been authorized by this Board.

BACKGROUND:

On March 24, 2020, the Board of Supervisors adopted Emergency Regulation 2020-001, which placed a temporary Countywide moratorium on residential evictions for renters impacted by COVID-19. The protections of Emergency Regulation 2020-001 expired 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 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 (“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.

On September 15, 2020 the Board approved the establishment of the Program, including the eligibility criteria for property owners and rental properties, which are shown below.

To qualify for financial assistance under the Program, rental property owners must 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.

In addition, 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 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 that are 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

On October 15, the online application period for the Program opened. Since the opening of the application period, the Program has been significantly undersubscribed, and many of the applications received do not meet existing Program eligibility criteria.

In particular, many individuals who submitted applications do not meet the requirement that they rely on rental income as their primary source of income or that they have earned \$400,000 or less in gross rental income in 2018 and 2019 and/or that their rental units must be “naturally affordable” (i.e., at or below applicable HUD Fair Market Rent levels). In addition, staff is aware of some small

property owners in the County who planned to take advantage of the Program but who have not applied because they would not meet the Program criteria.

DISCUSSION:

To broaden the pool of property owners who would be eligible for relief under the Program, staff recommends modifying the eligibility criteria for property owners as follows:

- Remove the requirement that property owners must rely on rental property income as their **primary** source of income (i.e., that such rental income constitute more than 50 percent of the property owner's income).
- Remove the requirement that the property owner must have earned less than \$400,000 annual gross rental income in both 2018 and 2019.

In addition, staff recommend changing the eligibility criteria for rental units as follows:

- Remove the requirement that rental units be rented at or below applicable 2020 HUD Fair Market Rent levels for San Mateo County.

Staff recommends that all other eligibility criteria for property owners and rental units remain unchanged.

In addition to the Program's existing prioritization factors for eligible units located in zip codes with the highest poverty levels and COVID-19 infection rates, and units with the highest losses relative to the property owner's total income, eligible units rented at or below applicable 2020 HUD Fair Market Rent levels would also be prioritized.

Although the eligibility changes described above would expand the pool of potentially eligible applicants, staff anticipate that the Program might still be under-subscribed, and that, as a result, the entire \$2 million allocated to the Program might not be fully expended by December 30, 2020 (the deadline to expend CARES Act funds). Therefore, owing to this deadline, staff also recommend that the Board authorize the County Manager, or his designee, to redirect any undistributed portions of the \$2 million in CARES Act funds allocated to the Program to other programs established by the County for the distribution of CARES Act funds that have been authorized by the Board.

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. There is no Net County Cost associated with approving changes to the eligibility criteria of this Program.