



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 20-971

Board Meeting Date: 12/8/2020

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Raymond Hodges, Director, Department of Housing

Subject: Approval of Purchase Agreement for Acquisition of 750 El Camino Real, in Belmont, and Allocation of CARES Act Funds for Acquisition

RECOMMENDATION:

Adopt a resolution:

- A) Declaring the Board of Supervisors' intention to purchase the property located at 750 El Camino Real, in Belmont, (Assessor Parcel Number 044-222-160) ("Property") from Jonathan H. Lamb ("Seller") for a total purchase price of \$1,650,000; and
- B) Authorizing an allocation of up to \$1,700,000 in federal Coronavirus Aid, Relief and Economic Security (CARES) Act funds for the purchase of the Property plus closing costs; and
- C) Accepting the terms and conditions of the Marcus & Millichap Real Estate Purchase Agreement ("PSA") that are incumbent on the County as the successor in interest to the original Buyer, Our Common Ground, Inc., to purchase the Property from Seller, for a total purchase price of \$1,650,000; and
- D) Ratifying the Assignment and Assumption Agreement, assigning Our Common Ground, Inc.'s rights to purchase the Property to the County, the County assuming all obligations as Buyer, and Seller consenting to the assignment; and
- E) Authorizing and directing the County Manager, or designee, to execute the Certificate of Acceptance, as well as any and all notices, escrow instructions, and documents required to facilitate the purposes of the PSA.

BACKGROUND:

The COVID-19 pandemic has exacerbated existing community needs and inequalities. In many communities, homelessness was already experienced disproportionately by minorities and other

vulnerable groups. Persons experiencing homelessness are at a greater risk of infection and death due to COVID-19. In response to COVID-19, San Mateo County has prioritized the preservation and acquisition of needed housing for the homeless and other vulnerable groups.

Our Common Ground, Inc. (OCG) is a provider of transitional housing and related services at several sites in San Mateo County. OCG has provided residential and outpatient treatment services to over 3,000 individuals with substance abuse and mental health problems in San Mateo County and the greater San Francisco Bay Area since 1988. Substance abuse and mental health treatment services are delivered in a safe and structured family environment, utilizing the concepts of the “Therapeutic Community”. Contemporary, empirically validated treatment models for addressing trauma issues, validated assessments and evaluation tools are utilized to assure quality care. Treatment modalities are offered in a range of intensities, including: Short-Term Residential, Intensive Outpatient, Outpatient, Recovery Residence, and Transitional Housing.

OCG has been operating a transitional housing project at 750 El Camino Real, in Belmont (“Property”), for more than 32 years. The transitional housing project on the Property currently houses 21 very low-income tenants, many of whom were formerly homeless. The Property consists of a 12-bedroom, five-bathroom house fronting on El Camino Real, with a separate one-bedroom cottage in the back of the Property, fronting on Middle Road.

In August of 2020, the current owner of the Property, Jonathan H. Lamb (“Seller), notified OCG, as the lessee of the Property, that he was selling the Property and provided OCG with a first right of refusal to acquire the Property for a purchase price of \$1,650,000. The transaction was to close by early December. OCG provided the Seller with a letter of intent offering to purchase the Property for the offered price. Seller and OCG reached an agreement on terms, and OCG began investigating options for financing the purchase.

DISCUSSION:

In late August, OCG approached the Department of Housing to request financing from the County to assist OCG in purchasing the property. Staff ultimately determined that acquiring the Property directly from the Seller, subject to OCG’s existing lease, was the best way to expedite the acquisition. The County’s acquisition will ensure the property continues to provide transitional housing for low-income San Mateo County residents in OCG’s programs, many of whom would likely experience homelessness again and be at greater risk of infection from COVID-19 if the Property was sold to another party. The County will structure a new lease with OCG, reducing its monthly payments and allowing OCG to build a reserve to help finance building retrofits, repairs, and improvements to the Property.

On October 30, 2020, Seller and OCG executed a Real Estate Purchase Agreement (“PSA”) for OCG’s acquisition of the Property, for a purchase price of \$1,650,000.

On November 6, 2020, Seller and OCG executed a First Amendment to the PSA, which set November 13, 2020 as the deadline for OCG to review all information provided by Seller to OCG regarding the Property, investigate all aspects of the Property, and determine if OCG wanted to proceed with purchasing the Property pursuant to the terms of the PSA. On November 12, 2020, OCG made a deposit of \$25,000 towards the purchase of the Property, to supplement a \$15,000 initial deposit made by OCG at the time of execution of the PSA. At close of escrow, the County will reimburse OCG for those deposits toward the purchase price.

On November 13, 2020, Seller and OCG executed a Second Amendment to the PSA, whereby Seller consented to the assignment of the right to purchase the Property from OCG to the County, provided

certain conditions precedent are satisfied. On or before November 20, 2020, OCG and the County were to have executed and delivered to Seller an Assignment and Assumption Agreement in form and content reasonably acceptable to Seller. The PSA, as amended, would be assigned by OCG to the County and the County would acquire all rights and assume all obligations of OCG under the PSA. OCG, and the County agreed the County would reimburse OCG for the \$40,000 in deposits paid by OCG under the PSA. A copy of the PSA, as amended, is included as Attachment A. The Assignment and Assumption Agreement, which includes the consent of Seller, is included as Attachment B.

In order to consummate the transaction and allow the County to acquire the Property, the Board must accept the terms and conditions of the PSA, ratify the Assignment and Assumption Agreement, authorize execution of a Certificate of Acceptance to be recorded concurrently with the Grant Deed transferring title to the Property to the County at the close of escrow, and authorize the allocation of up to \$1,700,000 in CARES Act funds for the purchase of the Property plus closing costs.

Escrow is anticipated to close by December 15, 2020. There are several conditions to be satisfied prior to closing. Real Property has been working diligently to satisfy as many of those conditions as possible prior to this Board action. A Phase 1 Environmental Site Assessment was conducted which revealed no potential environmental hazards. A review of a Preliminary Title Report revealed no interests recorded against the Property that would pose risk of interfering with the intended use of the Property.

A Property Condition Report was commissioned that identified numerous issues and deficiencies in the structures on the Property that will have to be addressed. The Department of Public Works reviewed the Report and estimated the cost to cure the deficiencies identified in the report is between \$600,000 and \$1,000,000, and pointed out that more deficiencies may be discovered once that work begins. An Appraisal Report was commissioned to determine the fair market value of the Property. That report took the building deficiencies into consideration and, after discounting the value by \$600,000 for the appraiser's estimated cost of repairs, provided an adjusted value for the Property of \$1,650,000.

The acquisition of this Property for the described purposes qualifies for streamlined treatment under California Health and Safety Code sections 50675.1.1 and 50675.1.2. Section 50675.1.1 provides that certain projects using Coronavirus Relief Fund funding are automatically deemed consistent with General Plan and zoning requirements and are not subject to discretionary reviews or approvals. Section 50675.1.2 exempts the acquisition from California Environmental Quality Act (CEQA) review as a project providing housing for individuals and families who are experiencing homelessness or who are at risk of homelessness.

County Counsel has reviewed and approved the Resolution, the PSA, as amended, and the Assignment and Assumption Agreement as to form. Notice of this hearing was published in accordance with California Government Code Sections 25350 and 6063. Staff recommends adoption of the attached Resolution.

FISCAL IMPACT:

There will be no impact on the County General Fund. The \$1,700,000 purchase price and related costs and escrow fees will be funded by CARES Act funds.