



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 20-972

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: Authorization for a Third Amendment to the Exclusive Negotiating Rights Agreement for the Middlefield Junction - Parcel "A" Mixed-Use Development Project

RECOMMENDATION:

Adopt a resolution authorizing a third amendment to the Exclusive Negotiating Rights Agreement between the County of San Mateo and Mercy Housing California to provide additional time to February 28, 2021 for completion of pre-development activities and negotiation and preparation of an affordable housing and property disposition agreement for the Middlefield Junction - Parcel "A" Mixed-Use Development Project.

BACKGROUND:

The Middlefield Junction - Parcel "A" Mixed-Use Development Project (the "Project") is a 179-unit affordable mixed-use development. The Project is located on a vacant undeveloped 3.2-acre parcel (APN: 054-113-140) located at 2700 Middlefield Road (the "Project Site"), in the North Fair Oaks ("NFO") neighborhood of unincorporated San Mateo County, which the County of San Mateo (the "County") acquired by grant deed on September 30, 2014.

On March 4, 2019, the County executed an Exclusive Negotiating Rights Agreement (the "ENRA") with Mercy Housing California ("Mercy Housing") to provide a timeframe for Mercy Housing to undertake due diligence and predevelopment activities and for Mercy Housing and the County to attempt to negotiate an Affordable Housing and Property Disposition Agreement ("AHPDA") (which includes as an exhibit a long-term ground lease).

Pursuant to administrative authority in the ENRA, (i) on October 30, 2019, the Director of the Department of Housing ("Director") granted an administrative extension to the negotiating period under the ENRA, (ii) on January 6, 2020, the Director executed a first amendment to the ENRA, to facilitate Mercy Housing's qualification to apply for affordable housing funding opportunities from the State of California, and which further extended the negotiating period under the ENRA until July 31, 2020, (iii) on July 21, 2020, the County of San Mateo Board of Supervisors executed a second amendment to the ENRA which further extended the negotiating period under the ENRA until November 20, 2020, and on November 19, 2020, the Director granted an administrative extension to

the negotiating period under the ENRA until December 31, 2020.

DISCUSSION:

Since the ENRA was executed, Mercy Housing has been diligently conducting predevelopment activities, including physical inspection of the property, coordinating with the Middlefield Road improvement project, obtaining land-use entitlements and environmental review, preparing construction drawings for the project and submitting applications to many of the new State-funded affordable housing financing programs made available over the past year, which if successful will offset the significant County contribution needed to ensure the Project becomes a reality.

In addition to the submission of application for State-funded programs, Mercy Housing has been working with and responding to requests for additional soil and groundwater testing from the County of San Mateo Department of Environmental Health whose approval is required for this project to be issued approvals for this project.

The negotiating period under the ENRA expires on December 31, 2020, and both the Department of Housing (“DOH”) and Mercy Housing desire to continue working toward the development of this Project. To ensure the project may continue to proceed, staff has prepared a draft third amendment to the ENRA to further extend the negotiating period under the ENRA to February 28, 2021, which would authorize the Director to grant administrative extensions to up until March 31, 2021 if the parties have made significant progress toward completing the AHPDA (including long-term ground lease).

County Counsel has reviewed and approved this resolution as to form.

FISCAL IMPACT:

There is no Net County Cost associated with this action. Mercy Housing will be responsible for all costs the County may incur preparing the affordable housing and property disposition agreement (including long-term ground lease).