



County of San Mateo

Inter-Departmental Correspondence

Department: GOVERNING BOARD

File #: 21-044

Board Meeting Date: 1/12/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Raymond Hodges, Director of Department of Housing

Subject: Modification of Loan to Saint Francis Center for Acquisition of Casa de Sobrato

RECOMMENDATION:

Adopt a resolution authorizing the Director of the Department of Housing or the Director's designee to execute amended loan documents for an existing loan in the amount of \$4,000,000 made to Saint Francis Center of Redwood City for the acquisition of a 48-unit apartment building located at 180 Buckingham Avenue in North Fair Oaks (known as Casa de Sobrato), which would extend the term of the Affordability Covenant from 30 to 99 years and increase the number of units subject to the affordability covenant from 16 to 23 residential rental units in exchange for loan forgiveness upon the expiration of the Affordability Covenant.

BACKGROUND:

Saint Francis Center of Redwood City ("Saint Francis Center") was founded in 1986 to provide food, clothing, and other essential services for working poor families. Since then, Saint Francis Center has expanded the scope of its basic services to include affordable housing for low-, very low-, and extremely low-income families to foster growth from dependency to interdependency.

In the fall of 2018, Saint Francis Center purchased a 48-unit apartment building in the North Fair Oaks neighborhood of the unincorporated County, located at 180 Buckingham Avenue (the "Property"), known as Casa de Sobrato, using conventional mortgage financing and private donations to convert existing market-rate rental units to permanent affordable rental housing units.

In March 2019, Saint Francis Center secured an acquisition reimbursement loan from the County's Affordable Rental Acquisition and Preservation Program ("ARAPP") fund in the amount of \$4,000,000 at 0 percent interest with a maturity of 30 years (the "ARAPP Loan") approved by this Board on October 23, 2018 (Resolution No. 076236). Saint Francis Center used the ARAPP Loan to reduce the first mortgage loan from First Republic Bank, reducing the monthly carrying costs and allowing St. Francis to offer units to low-, very low-, and extremely low-income households at rents that are

affordable. Sixteen of the 48 units were made ARAPP-restricted units with a period of affordability of 30 years pursuant to a Declaration of Restrictive Covenants (the “Affordable Covenant”) recorded on the Property.

In San Mateo County, demand for housing outstrips supply by at least 16,000 units of which the County currently has permitted 8,416 units. Organizations like Saint Francis Center play a critical role in preserving affordable housing and creating additional affordable housing to help close the affordability gap in the County.

DISCUSSION:

In order to continue its mission in providing families in North Fair Oaks and surrounding communities of the County with access to affordable housing, Saint Francis Center has determined that it needs to reduce current overhead cost and debt associated with Casa de Sobrato by lowering the mortgage cost associated with its loan with First Republic Bank. Lowering overhead costs and debt would provide Saint Francis Center with greater liquidity and more equity to invest in additional properties in the surrounding area and offer more affordable housing to low-, very low-, and extremely low-income households in San Mateo County.

Accordingly, Saint Francis Center and the Department of Housing (“DOH”) seek to amend the loan documents for the ARAPP Loan in the following material ways:

1. Increase the number of ARAPP-restricted units from 16 to 23 units;
2. Extend the term of the Affordability Covenant from 30 years to 99 years; and
3. Upon the expiration of the term of the Affordability Covenant, forgive the loan so long as Saint Francis Center fulfills its obligation to use and maintain the property as affordable housing for low-, very low-, and extremely low-income households during the entire term of the Affordability Covenant.

The Property would continue to be maintained as affordable housing throughout the 99-year term of the Affordability Covenant, but would require full repayment in the event was Property was sold or transferred for any other use during that time and/or if any provisions of the Affordability Covenant were otherwise violated.

The Board is being asked to adopt a resolution authorizing the Director of the Department of Housing or the Director’s designee to execute amended loan documents, reflecting the above modifications to the loan. By agreeing to make these modifications to the ARAPP Loan, the County will help Saint Francis Center continue providing affordable housing opportunities to low-, very low-, and extremely low-income households in San Mateo County; preserve existing affordable housing; and create additional affordable housing to help close the affordability gap in San Mateo County.

FISCAL IMPACT:

The \$4,000,000 loan was funded through the Affordable Rental Acquisition and Preservation Program (“ARAPP”). Upon the expiration of the 99-year term of the Affordability Covenant, the loan will be forgiven so long as Saint Francis Center fulfills its obligation to use and maintain the property

in conformance with County's requirements. There is no Net County Cost associated with approval of this item.