



County of San Mateo

Inter-Departmental Correspondence

Department: GOVERNING BOARD

File #: 21-368

Board Meeting Date: 5/18/2021

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors (Sitting as the Board of Commissioners of the Housing Authority of the County of San Mateo)

From: Raymond Hodges, Executive Director, Housing Authority of the County of San Mateo

Subject: Authorization to transfer and reallocate Midway Village project reserve funds from Phase 1 of the Midway Village Redevelopment Project to Phase 2 of the Midway Village Redevelopment Project

RECOMMENDATION:

Acting as the Governing Board of the Housing Authority of the County of San Mateo, adopt a resolution:

- A) Authorizing Housing Authority of the County of San Mateo ("HACSM") to transfer and reallocate Midway Village project reserve funds from the Affordable Housing and Property Disposition Agreement for the first phase of the Midway/Bayshore Redevelopment project ("Phase 1 AHPDA"), in an amount up to Twelve Million Dollars (\$12,000,000), to the second phase of the Midway/Bayshore Redevelopment project ("Phase 2"); and
- B) Authorizing the Executive Director of HACSM, or designee(s), acting in consultation with County Counsel, to negotiate and execute, on behalf of HACSM, a predevelopment loan agreement with MP Midway Associates 2, L.P., or a wholly/commonly-owned and/or controlled entity of MidPen Housing Corporation ("MidPen") in a total amount not to exceed Twelve Million Dollars (\$12,000,000) in Midway Village project reserve funds for Phase 2, and any and all documents necessary to implement the same, provided that to the extent the funds to be loaned exceed Seven Million Five Hundred Ninety Thousand Seven Hundred Seventeen Dollars and Forty Cents (\$7,590,717.40), then any such excess amount shall be repaid at the close of escrow and close of financing under the Phase 1 AHPDA.

BACKGROUND:

Midway Village is an aging, 150-unit affordable rental housing development located on approximately 12 acres in the Bayshore neighborhood of Daly City. It was built by the Housing Authority of the County of San Mateo ("HACSM") in the mid-1970's and has been continuously owned and operated by HACSM and recently its affiliate, SAMCHAI.

On June 29, 2017, HACSM released a Request for Proposals (“RFP”) seeking experienced and qualified developers interested in redeveloping, owning, operating and managing affordable housing at the Midway Village site, which project is now referred to as the “Midway/Bayshore Redevelopment Project” (the “Project”). MidPen was selected through this RFP process.

On January 23, 2018, the Board of Supervisors, sitting as the Board of Commissioners of HACSM (“Governing Board”) authorized the Executive Director of HACSM to enter into an Exclusive Negotiating Rights Agreement (“ENA”) with MidPen in order to establish terms, including the early predevelopment milestones to be achieved, prior to execution of a disposition/development agreement, the use of certain Midway Village reserves to facilitate achieving these milestones, and the respective roles and responsibilities of the parties. On March 21, 2018, HACSM and MidPen executed the ENA for the Project.

On April 10, 2018, the Governing Board authorized the Executive Director of HACSM to enter into a predevelopment loan agreement with MidPen in an amount not to exceed One Million Five Hundred Thousand Dollars (\$1,500,000) in Midway Village project reserve funds (“Master Predevelopment Loan”) in order for MidPen to complete various tasks outlined in the ENA (Resolution No. 075825). On June 26, 2018, HACSM and MidPen executed a predevelopment loan agreement for the Master Predevelopment Loan (“Master Predevelopment Loan Agreement”).

On January 7, 2020, the Governing Board authorized the Executive Director of HACSM to enter into a predevelopment loan agreement with MidPen in an amount not to exceed One Million Four Hundred Nine Thousand Seven Hundred Ninety-Five Dollars (\$1,409,795) in Midway Village project reserve funds (“Phase 1 Predevelopment Loan”) in order for MidPen to complete tasks associated with the first phase of Project (Resolution No. 077165). MidPen and HACSM contemplate a total of four phases of development for the Project. On January 30, 2020, HACSM and MidPen executed a predevelopment loan agreement for the Phase 1 Predevelopment Loan (“Phase 1 Predevelopment Loan Agreement”).

On September 15, 2020, the Governing Board authorized the Executive Director of HACSM to enter into an Affordable Housing and Property Disposition Agreement (“AHPDA”) for the first phase of the Project (“Phase 1 AHPDA”) with MP Midway Associates I, L.P., a limited partnership established by MidPen (the “Partnership”) which provides for, among other things, (1) HACSM to loan up to \$12,000,000 in Midway Village project reserves (which amount is inclusive of all predevelopment funds previously or later committed to the Project and loaned to MidPen) to the Partnership, secured by a deed of trust, (2) HACSM to ground lease to the Partnership a portion of Midway Village and a portion of the David R. Rowe Park (the “Park”) property, a neighborhood park located adjacent to Midway Village (collectively, the “Phase 1 Property”), and (3) the Partnership to develop and operate on the Phase 1 Property a rental affordable housing development containing one hundred forty-seven (147) rental dwelling units, with all but two (2) of such units restricted for rental to and occupancy by income-restricted households at restricted rents (“Phase 1 of the Project”) (Resolution No. 077672). On September 15, 2020, HACSM and MidPen executed the Phase1 AHPDA.

On September 21, 2020, the City of Daly City transferred fee title to the Park to HACSM (Resolution No. 077672). At the end of the redevelopment process, a new park space with better public access and parking will be deeded to the City and will replace the Park.

On October 31, 2020, the Executive Director of HACSM executed (i) the first amendment to the Master Predevelopment Loan Agreement, which added Two Hundred Thousand Dollars (\$200,000) in Midway Village project reserves to the Master Predevelopment Loan, for a new total Master

Predevelopment Loan amount not to exceed One Million Seven Hundred Thousand Dollars (\$1,700,000) (“First Amendment to the Master Predevelopment Loan Agreement”) to facilitate the completion of environmental reviews required for the Project, and (ii) an amended and restated Phase 1 Predevelopment Loan Agreement, which replaced the Phase 1 Predevelopment Loan Agreement in its entirety, and added One Million Three Hundred Thousand Dollars (\$1,300,000) in Midway Village project reserves to the Phase 1 Predevelopment Loan, for a new total Phase 1 Predevelopment Loan amount not to exceed Two Million Seven Hundred Nine Thousand Seven Hundred Ninety-Five Dollars (\$2,709,795) (“Amended and Restated Phase 1 Predevelopment Loan Agreement”).

As of May 18, 2021, MidPen has spent the entire Phase 1 Predevelopment Loan and One Million Six Hundred Ninety-Nine Thousand Four Hundred Eighty-Seven Dollars and Sixty Cents (\$1,699,487.60) of the Master Predevelopment Loan. Therefore, from the Phase 1 AHPDA loan amount of up to \$12,000,000 in Midway Village project reserves, Seven Million Five Hundred Ninety Thousand Seven Hundred Seventeen Dollars and Forty Cents (\$7,590,717.40) (the “Undisbursed Midway Village Project Reserves”) remain available for expenditure pursuant to the Phase 1 AHPDA.

DISCUSSION:

Phase 1 of the Project includes a large parking garage (“Garage”) that, once constructed, will serve households residing in the units that will be built in Phase 1 of the Project, as well as household residing in the units that will be built in the second phase of the Project (“Phase 2 of the Project”). The Garage must be built during the construction of Phase 1 of the Project because the units that will be built in Phase 1 of the Project will wrap around, and be attached to, the Garage. Phase 1 of the Project is scheduled to begin construction in June 2021.

Because the Garage will serve households residing in Phase 1 of the Project and households residing in Phase 2 of the Project, funding for the Garage must be provided by loans to the Partnership for the purposes of constructing Phase 1 of the Project, as well as to MP Midway Associates 2, L.P., a limited partnership established by MidPen (the “Phase 2 Partnership”) for the purposes of constructing Phase 2 of the Project. The Phase 2 Partnership has not procured funding sources for Phase 2 of the Project because Phase 2 of the Project is not scheduled to begin construction until 2025.

To facilitate the construction of the Garage during Phase 1 of the Project, HACSM staff recommend transferring and reallocating funds committed to Phase 1 of the Project pursuant to the Phase 1 AHPDA, in an amount up to the Undisbursed Midway Village Project Reserves, towards Phase 2 of the Project. Any such transferred and reallocated funds would be loaned to the Phase 2 Partnership pursuant to a predevelopment loan agreement (“Phase 2 Predevelopment Loan Agreement”), to be used to pay for approximately half of the costs associated with the construction of the Garage (“Phase 2 Garage Portion”). As of May 18, 2021, MidPen contemplates that the Phase 2 Garage Portion will be approximately Seven Million Three Hundred Thousand Dollars (\$7,300,000).

Should the Phase 2 Garage Portion exceed the Undisbursed Midway Village Project Reserves, HACSM staff recommend that at the close of escrow and close of financing under the Phase 1 AHPDA, the Partnership be required to repay to HACSM any such excess amounts.

As of May 18, 2021, HACSM and the Phase 2 Partnership (“Parties”) are exchanging their final round of comments on the Phase 2 Predevelopment Loan Agreement, the amount for which will not exceed Twelve Million Dollars (\$12,000,000). The Parties contemplate the final agreed upon amount of the Phase 2 Predevelopment Loan Agreement will be Seven Million Three Hundred Thousand Dollars

(\$7,300,000).

Authorization of the transfer and reallocation of Midway Village project reserve funds from the Phase 1 AHPDA towards Phase 2 of the Project, to be provided pursuant a Phase 2 Predevelopment Loan Agreement, is in furtherance of HACSM's goals to provide permanent affordable housing and to preserve existing affordable housing units in the County of San Mateo, which are in the best interests of the County of San Mateo and the welfare of its residents.

This resolution has been reviewed and approved as to form by County Counsel.

FISCAL IMPACT:

There is no Net County Cost associated with this action. HACSM will use up to \$12,000,000 of Midway Village project reserves, previously allocated to the Phase 1 AHPDA, as the source of the Phase 2 Predevelopment Loan.