



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 22-287

Board Meeting Date: 4/19/2022

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Raymond Hodges, Director, Department of Housing

Subject: Measure K: Agreements with Alta Housing Corporation related to the Operation and Management of Affordable Housing Project, located in Redwood City, for the County's most vulnerable residents, individuals and families who are homeless or who are at risk of homelessness, as defined in Part 578.3 of Title 24 of the Code of Federal Regulations including chronically homeless and homeless individuals and households/families.

RECOMMENDATION:

Measure K: Adopt a resolution:

- A) Authorizing and directing the Director of the Department of Housing, or designee, to execute an Exclusive Negotiating Agreement with Alta Housing Corporation ("Alta") to afford the parties sufficient time to negotiate the terms of a Ground Lease Agreement and all documents evidencing and securing a predevelopment loan related to the operation and management of a permanent affordable housing development for homeless individuals and households/families or those who are at risk of homelessness ("project") on County property located at 1818 EL Camino Real in Redwood City; and
- B) Authorizing and directing the Director of the Department of Housing, or designee, in consultation with County Attorney, to negotiate and execute a Ground Lease Agreement and all documents evidencing and securing a predevelopment loan, in a total amount not to exceed \$1,500,000 in Measure K funds, with Alta housing corporation, to cover costs associated with the operation and management of the subject property; and
- C) Authorizing the Director of the Department of Housing, or designee, to execute contract amendments, which modify the County's maximum fiscal obligation by no more than \$25,000 (in aggregate).

BACKGROUND:

The Homekey Program (“Homekey”) administered by the California Housing and Community Development Department (“State HCD”), provided funding to rapidly sustain and expand the inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. Homekey presented an opportunity for local public agencies to purchase motels and a broad range of other housing types in order to increase community capacity to respond to homelessness and the ongoing COVID-19 pandemic.

On September 2021, State HCD was authorized to provide approximately \$1.2 billion in Homekey funding derived from the Coronavirus State Fiscal Recovery Fund established by the federal American Rescue Plan Act of 2021 (Public Law 117-2) and \$250 million in State General Fund to assist local public agencies in the acquisition of, and provide initial operating subsidies for, Homekey sites to promote project feasibility.

With your Board’s authorization (Resolution No. 078452), the County applied for and received a funding award from the Homekey Program to help finance the acquisition of a 51-unit hotel called Comfort Inn & Suites, located at 1818 El Camino Real in Redwood City (APN: 053-122-160) (“Property”) for the purpose of providing permanent affordable housing to some of the County’s most vulnerable residents, including chronically homeless and homeless individuals and households/families.

On January 4, 2022, your Board authorized the President of the Board of Supervisors to execute a Real Estate Purchase and Sale Agreement and Escrow Instructions for the County’s acquisition of the Property for a total purchase price of \$17,000,000 for the purpose of providing permanent affordable housing to some of the County’s most vulnerable residents, including chronically homeless and homeless households (Resolution No. 078646).

On January 4, 2022, your Board authorized the County to negotiate the terms of a Purchase and Sale Agreement and acquire the Property, using Homekey Program funds (Resolution No. 078646). The County conducted necessary due diligence and determined the Property was in good condition, closed escrow and assumed title to the Property on April 12, 2022.

The County intends to use the Property as permanent affordable housing exclusively for the County’s most vulnerable residents, including chronically homeless and homeless individuals and households/families earning less than 60% of the area median income.

DISCUSSION:

On September 9, 2021, the County of San Mateo Department of Housing (“DOH”) issued a Request for Qualifications (“RFQ”) in order to solicit Statements of Qualifications from affordable housing developers and service providers, with extensive experience owning, operating, managing and maintaining affordable housing with high-quality resident services and supportive services to serve as the operator/manager of multi-family residential properties the County may acquire through Homekey.

On January 20, 2022, the County’s RFQ selection committee chose Alta Housing as the operator and manager of the Property because Alta Housing possesses the experience and skills necessary to identify and secure long-term funding for the Property, to utilize a thoughtful approach in working with the local community and neighborhood groups, and to provide the services the residents of the affordable housing development will need to remain stably housed and have a positive impact upon the surrounding community.

On February 9, 2022, Governor Gavin Newsom announced through a press release that the County

of San Mateo received a Homekey award in the amount of \$15,978,323. The award allocated \$10,524,997 for acquisition of the Property, \$2,529,726 for renovation of the Property, \$1,893,600 for operations of the Property and \$1,030,000 as a bonus award that may be spent for any project related costs. In order to receive the bonus award, the Property must be fully leased within eight (8) months of the County receiving the HomeKey award letter.

Subject to your Board's approval, the County and Alta Housing will enter into an Exclusive Negotiating Agreement ("ENA") to afford the parties with sufficient time to negotiate the terms of a Ground Lease Agreement and all documents evidencing and securing a Predevelopment loan in a total amount not to exceed \$1,500,000 (collectively, "Loan Documents") that will be necessary for Alta Housing to operate and manage the Property for a ten (10) year period. The term of the ENA will be ninety (90) calendar days, which may be extended by the Director of the Department of Housing Director, in writing, at the written request of Alta, for up to 60 additional calendar days ("ENA Period").

During the ENA Period, the parties will negotiate and execute a Ground Lease Agreement and Loan Documents, in consultation with their respective counsel. The Ground Lease will set forth the responsibilities of the parties and will include the responsibility of Alta to maintain a balanced budget; undertake all property management activities, including leasing up, implementing a preference for San Mateo County residents, working with County referral agencies, collecting rent and enforcing house rules; and providing robust resident and supportive services appropriate for the residents of the Property. Pursuant to the Lease Agreement, the County will lease the Property to Alta at a nominal rate for a term of ten (10) years during which Alta will be operating and managing the Property. Pursuant to the terms and conditions of the Loan Documents, the County will provide Alta with a Predevelopment loan in a total amount not to exceed \$1,500,000, to fund startup costs and lease-up reserves in exchange for Alta's agreement to rent the units exclusively to individuals and households/families who are homeless or who are at risk of homelessness, as defined in Part 578.3 of Title 24 of the Code of Federal Regulations and to record a 55-year affordability covenant restricting tenancy to individuals earning at or less than 60% of area median income.

This resolution and ENA have been reviewed and approved as to form by the County Council.

FISCAL IMPACT:

The financial impact of this action will be a commitment of \$1,500,000 of **Measure K** funds for the Predevelopment Loan.