



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 23-381

Board Meeting Date: 5/23/2023

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Raymond Hodges, Director, Department of Housing
Subject: The County of San Mateo joining HEART-SV, a Joint Powers Authority, as a Member Agency

RECOMMENDATION:

Adopt a resolution authorizing the County of San Mateo (“County”) to join HEART-SV, a Joint Powers Authority, as a member agency and authorizing the President of the Board of Supervisors, or designee, to execute and implement the HEART-SV JPA Agreement (“JPA Agreement”) and any agreements and/or documents necessary to implement the Joint Powers Authority agreement.

BACKGROUND:

The Housing Endowment and Regional Trust of San Mateo County (“HEART”) is a Joint Powers Authority (“JPA”) whose purpose is to create and preserve affordable housing for low- and moderate-income families. The County is a member agency of HEART. On May 25, 2022, HEART’s Board of Directors established the Middle-Income Housing Bond Program (“Bond Program”) to acquire multi-family residential projects by issuing bonds to create affordable housing. The Joint Exercise of Powers Act (“Act”) grants JPAs, such as HEART, the authority to issue revenue bonds for such purposes.

On September 28, 2022, as part of creating the Bond Program and establishing a public affordable housing land trust, HEART’s Board of Directors voted to create a separate affiliate JPA, called HEART-SV. HEART-SV will be governed and controlled by HEART. HEART’s Board Members, which includes two members of San Mateo County’s Board of Supervisors, will serve as the board of HEART-SV.

HEART-SV will be legally formed upon the execution of the JPA Agreement by HEART and at least one other member agency (e.g. the County). HEART-SV will serve as a special vehicle to issue bonds to acquire multi-family residential projects and to own the housing projects as a public land trust on behalf of HEART.

The purpose of this resolution is to authorize the County to become a member of HEART-SV and to direct the President of the Board of Supervisors to execute the HEART-SV JPA Agreement.

DISCUSSION:

California’s affordability crisis is getting worse and local government needs to find new ways to preserve and develop affordable housing. With the Bond Program and HEART-SV, HEART is taking the principles of the Community Land Trust model to establish a public land trust that creates and sustains housing for San Mateo County residents. HEART-SV’s mission is to steward land and property for the benefit of low- and moderate-income residents through the acquisition of residential properties to ensure permanent affordability and community control. As a JPA, HEART-SV will issue bonds and use grants and other debt instruments to acquire residential properties to create and preserve affordable housing.

Through HEART-SV, HEART will use two approaches to creating and preserving affordable housing:

First, HEART will acquire small apartment buildings, commonly referred to as Naturally Occurring Affordable Housing (“NOAH”) properties, to provide rent stabilization to those tenants and stop the displacement and eviction of low-income and minority residents. HEART recently received a \$1 million State grant under the Local Housing Trust Fund Program to acquire and preserve affordable housing for low-income families. Using an additional \$1 million in HEART Trust Funds and conventional financing, HEART will acquire its first NOAH property as soon as another public agency joins HEART-SV.

Second, by purchasing larger market-rate residential buildings, HEART will stem the rapid rent growth at these properties and provide rent stability to residents earning between 70% and 120% AMI. Upon acquisition, HEART will immediately lower rents moderately and reduce rent growth to about three percent (3%) per year. But more importantly, by controlling rent growth, properties will become more affordable over time and create additional housing opportunities for lower-income households. HEART projects that within 15 to 20 years every unit in a property HEART-SV acquires will be affordable to households at 80% of the area median income (AMI).

By becoming a member agency of HEART-SV, the County will be supporting HEART’s housing preservation efforts. The only action being requested at this time is for the Board of Supervisors to authorize the County to join HEART-SV as a member agency to establish HEART-SV as a JPA. All future projects will be reviewed and voted on by the HEART-SV Board, which includes two Board of Supervisors and nine city council members from nine of the member cities.

This resolution and the HEART-SV JPA Agreement have been reviewed and approved as to form by the County Attorney.

FISCAL IMPACT:

There is no fiscal impact to the County in connection with these actions.