



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 16-144

Board Meeting Date: 5/16/2017

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Ken Cole, Director of Housing
Subject: **Measure K:** Acquisition of 1512 Stafford Street Apartments

RECOMMENDATION:

Measure K: Adopt a resolution authorizing:

- A) A loan to HIP Housing Development Corporation (HHDC) of \$600,000 for the acquisition of real property located at 1512 Stafford Street in Redwood City; and
- B) The Director of the Department of Housing, or the Director's designee, to execute a loan agreement with HIP Housing Development Corporation (HHDC) for the acquisition of 1512 Stafford Street in Redwood City, as approved by County Counsel.

BACKGROUND:

On June 28, 2016, the Board of Supervisors adopted a resolution to allocate \$10 million in Measure A, now referred to as **Measure K**, funding to establish a program to fund the acquisition and to preserve the affordability of apartment buildings rented at below-market rents in San Mateo County. The Board of Supervisors established the Affordable Rental Acquisition and Preservation Program (ARAPP) in recognition of the negative effects on low- and moderate-income households when the sale of existing apartment buildings results in rent increases and displacement. In November 2016, the Board approved a request from MidPen Housing for \$5,883,211 to support the acquisition of the 55-unit Atherton Court apartment complex, leaving \$4,116,789 to be allocated.

HIP Housing is aware of a building located at 1512 Stafford Street in Redwood City being offered for sale. The property, which consists of seven multifamily residential units and a 1,500 square foot ground floor commercial space, is located less than a mile from downtown Redwood City, a Caltrain station, and other amenities. The sellers of 1512 Stafford are interested in preserving affordability of the units and selling the building without displacing or rent-burdening the existing tenant households and commercial tenant - Mo Music - a small business specializing in music education for young children.

DISCUSSION:

HIP Housing Development Corporation, a subsidiary of HIP Housing, has applied for \$600,000 of ARAPP funding to support the acquisition of 1512 Stafford Street in Redwood City. This property consists of one two-bedroom apartment, five one-bedroom apartments, one studio, and a 1,500 sq. ft. commercial space.

At the close of escrow, HIP Housing expects four out of the seven households will have incomes at or below 80% AMI, one at 50% AMI, and two vacant units. HIP Housing is committed to renting these two units to County client referrals and renting other future vacancies to households earning up to 80% of the AMI, in line with ARAPP guidelines.

As proposed, the acquisition and rehabilitation of 1512 Stafford Street meets many goals established under the Measure K-funded ARAPP including preservation of naturally occurring affordable housing, conversion of unsubsidized rental housing to long term, rent-restricted housing serving low- and very-low income households, minimizing the displacement of existing residents, and leveraging other public and private funds to limit the necessary County contribution. Further, this project will improve the quality and condition of the property by addressing immediate repairs and additional upgrades.

HIP Housing has submitted an offer to purchase 1512 Stafford Street for \$3 million. The total development cost including renovation work is estimated at \$3.49 million, leveraging the acquisition loan from County ARAPP in the amount of \$600,000 with a \$987,000 private loan from Boston Private Bank, a \$1.1 million loan from Redwood City's Housing Impact Fee Program, \$479,000 in Redwood City HOME/CDBG funds, \$299,000 in HIP Housing direct contributions plus an \$80,000 private donation to HIP Housing. The cost per unit to the County is \$85,714.

This memorandum and attached resolution have been approved by County Counsel. All loan documents will also be approved by County Counsel.

Approval of this resolution contributes to the Shared Vision 2025 outcome as a Livable Community by ensuring that rental units remain affordable to lower income residents of San Mateo County.

PERFORMANCE MEASURES:

Measure: Acquire and preserve 7 units of affordable housing

FY 2016-17 Actual: 0

FY 2017-18 Projected: 7 rental housing units

FISCAL IMPACT:

This project will utilize \$600,000 from ARAPP, a **Measure K**-funded program.