



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 16-145

Board Meeting Date: 5/16/2017

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Ken Cole, Director of San Mateo County Department of Housing

Subject: **Measure K:** Loan Agreement with Peninsula Open Space Trust and Blue House Farm, LLC in the Amount of \$300,000 for Farmworker Housing at 950 La Honda Road, San Gregorio, California

RECOMMENDATION:

Measure K: Adopt a resolution authorizing the Director of the Department of Housing to execute a loan agreement with Peninsula Open Space Trust and Blue House Farm, LLC in the amount of \$300,000 for two new mobilehome units to serve as farmworker housing pursuant to the County's Farmworker Housing Pilot Program for a term beginning December 5, 2016 through the date on which the loan is discharged.

BACKGROUND:

The Housing Element of the County's General Plan identifies improving farmworker housing as an important need. Since 2014, the Board of Supervisors has allocated funds for initiatives to address the need for agriculture workforce housing, including commissioning an Agriculture Workforce Housing Needs Assessment and a program to repair existing, or create new, agriculture workforce housing, including farmworker housing.

In 2014, the Board, sitting as the Board of Commissioners of the Housing Authority of the County of San Mateo County, approved the allocation for \$500,000 of Moving to Work funds (Voucher Reserves) for the Farmworker Housing Pilot Program (previously identified as the "Farm Labor Housing Rehabilitation Pilot Program"). The Board later replaced the Moving to Work funds with Measure A funds to allow the County to better tailor the program to local needs. The Board subsequently committed **Measure A and K funds** in the amount of \$500,000 in fiscal year (FY) 14/15, \$500,000 in FY15/16, and \$500,000 in FY 16/17 to the program.

The County created the Farmworker Housing Pilot Program to build partnerships and provide resources to enable farmers and agricultural landowners to provide safe and affordable housing for the County's low-income agricultural workforce. Initially, the pilot program focused on the rehabilitation of existing farmworker housing and replacement of existing dilapidated mobilehome

units. As described in more detail below, the pilot program has expanded to include construction of new housing. In all cases, the direct beneficiaries of the program will be the very low-income farmworkers that reside in the new and rehabilitated units.

The program provides loans to qualified applicants for construction of new farmworker housing units or rehabilitation and replacement of existing farmworker housing units ("project units"). There are two loan programs for qualifying projects: (1) a standard loan at a 3% interest rate, and (2) a no-interest forgivable loan.

To qualify, a project must meet a number of criteria, which are detailed in the program guidelines and enforced by a loan agreement. Of note, all qualifying projects must be located in San Mateo County, and project units must be rented to "eligible farmworkers" - farmworkers that are engaged in full-time agricultural work in San Mateo County during the agricultural season and who are very-low income (less 50 percent of the area median income). In addition, the project units must remain in use as housing for eligible farmworkers for the duration of the loan, and participating owners must agree to maintain rent at very low levels set forth in an agreement with the County (in no event may rent exceed 30% of the eligible farmworker's income). The Department of Housing annually monitors compliance with all conditions for the term of the loan.

DISCUSSION:

The approximately 1,700 farmworkers in San Mateo County face many challenges, including a lack of safe and affordable housing, adequate food, health care, and transportation. San Mateo County's high cost of living adds to the challenges facing this population.

The recently completed Agricultural Workforce Housing Needs Assessment identified the need for over 1,000 new units for the agricultural workforce. In light of this information, the County has expanded the Farmworker Housing Pilot Program to include construction of new housing and the addition of new mobilehome units (now referred to as the Farmworker Housing Pilot Program Phase III). The program provides for loans of up to \$150,000 for each new unit provided, up to a maximum of two units for each application. Similar to the rehabilitation and replacement projects, the new construction program requires the applicant to contribute 20% of the value of the County loan to the project. The loans are interest free and will be forgiven at the rate of \$10,000 per year per unit, assuming the operator maintains the required very low rent levels and all other contractual conditions are satisfied.

On October 4, 2016, the Board of Supervisors approved a partnership with Peninsula Open Space Trust (POST), the owner of property located at 950 La Honda Road, in San Gregorio, California, and POST's agricultural operator tenant, Blue House Farm, to replace a dilapidated, abandoned house and an approximately 23 year old mobilehome located on the property with two new mobilehome units (the "replacement project"). With the County's subsequent expansion of the program to include eligible new housing projects, POST and Blue House Farm wish to withdraw their application for the replacement project, and instead apply for a loan to create two new mobilehome units (the "new construction project").

If approved by the Board, the existing agreement with POST and Blue House Farm would be terminated and replaced by a new loan agreement for the new construction project in the total amount of \$300,000. As of the writing of this memorandum, the County has not disbursed any loan funds pursuant to the existing agreement for the replacement project. POST and Blue House Farm, however, have incurred initial expenses that will support the new construction project. As a result, the

Department proposes that the new loan agreement be effective as of December 5, 2016, the date on which the replacement project was executed. In no event will total funds disbursed in support of the POST-Blue House Farm project exceed \$300,000, and funds will only be disbursed upon receipt of invoices adequately demonstrating their necessity to support the new construction project.

If approved by the Board, the County will loan POST and Blue House Farm \$300,000 to carry out the new construction project (\$150,000 for each of the new units), and POST and Blue House Farm will cover the remainder of the project cost, with a minimum of 20% of the loan value (\$30,000 for each unit) required as a match for the County loan. The no-interest loan will be forgiven at a rate of \$20,000 a year (\$10,000 per year for each unit) over 15 years. Loan forgiveness will commence once the units are installed and occupied by eligible farmworker tenants.

For the duration of the loan, the use of the housing will be restricted to very low-income farmworkers and at rental rates that remain affordable to very low-income households. Occupancy restrictions will be monitored by the Department of Housing for the life of the loan. In addition, due to its location in the Planned Agricultural Zoning District, the new housing units will be restricted to use by farmworkers for the life of the units.

County Counsel has reviewed and approved the loan agreement and associated materials, as well as the resolution authorizing the loan, as to form.

Approval of this resolution contributes to the Shared Vision 2025 outcome of a Livable Community by enabling the Department of Housing to provide affordable housing to low- income farmworkers.

PERFORMANCE MEASURES:

Measure: New and rehabilitated housing units through the Farmworker Housing Pilot Program

FY2014-2015 Actual - 6

FY2016-2017 Projected -6

FISCAL IMPACT:

The loan will total \$300,000 using funding from the Farmworker Housing Initiative, funded through **Measure K**.