



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** HOUSING

**File #:** 16-646

Board Meeting Date: 10/17/2017

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** Ken Cole, Director  
**Subject:** Allocation of CDBG Revolving Loan Funds

**RECOMMENDATION:**

Adopt a resolution authorizing:

- A) The Department of Housing to allocate revolving loan funds from the Community Development Block Grant (CDBG) program for the Bay Oaks Apartments Rehabilitation, in an amount not to exceed \$344,054; and
- B) The Director of the Department of Housing, or the Director's designee, to execute a contract, as approved by County Counsel, for funding the Bay Oaks Apartments Rehabilitation.

**BACKGROUND:**

MidPen Housing Corporation (MidPen) is proposing to rehabilitate the Bay Oaks Apartments, a 37-unit existing affordable housing development located at 2400 Gloria Way in East Palo Alto. Bay Oaks Apartments consists of large family units ranging from two to four bedrooms, and also includes an on-site community center featuring a large meeting room, a community kitchen, a children's play area, and a computer center. The rehabilitation of Bay Oaks Apartments will preserve housing for extremely low- to very low-income households. This project was constructed in 1996 using a combination of County CDBG/HOME funds, City of East Palo Redevelopment Agency funds, and a bank loan. Given the age of the property, there are significant deferred maintenance issues that need to be addressed.

**DISCUSSION:**

To support the rehabilitation of the apartment complex, the Department of Housing recently made two separate awards from the Home Investment Partnerships (HOME) program: one award in the amount of \$171,567 for FY2016-17, and a second in the amount of \$172,487 for FY2017-18, each approved by the Board of Supervisors through the Annual Action Plan in 2016 and 2017, respectively. These HOME funds were set aside to be undertaken by a specific type of nonprofit called a Community Housing Development Organization (CHDO). In order to qualify for designation as a

CHDO, the organization must meet certain requirements pertaining to its legal status, organizational structure, and capacity and experience. Since the time the HOME awards were made, MidPen has been unable to reconfigure the project's current organizational and ownership structure of the project to meet the requirements of a CHDO. As a result, this project does not qualify as a CHDO project and is unable to accept the HOME funds as awarded.

In lieu of the two HOME funding awards, staff is now recommending funding the project from a revolving loan fund created within the Community Development Block Grant (CDBG) program, which consists of CDBG program income through loan repayments. The revolving loan fund will enable MidPen to maintain the project's current ownership structure until an anticipated resyndication of the project in two years. Funds will be used towards replacing hydronic heating in the residential units, architectural design and engineering costs, and other soft costs. Construction is anticipated to begin in April 2018 and end in August 2018.

The Board is being asked to approve the staff recommendation to allocate \$344,054 from the CDBG revolving loan fund for the Bay Oaks Apartments Rehabilitation project, and to authorize the Director of Housing or the Director's designee to execute a contract with MidPen, as approved by County Counsel, for the project indicated.

County Counsel has reviewed and approved the resolution as to form.

Approval of this action contributes to the Shared Vision 2025 outcome of a Livable Community in that it enables recipient to fund a critical activity that helps vulnerable residents maintain a sustainable quality of life.

**PERFORMANCE MEASURE:**

Measure	FY 2016-17 Actual	FY 2017-18 Projected
Rehab of Affordable Housing Units	N/A	37

**FISCAL IMPACT:**

There is no net County cost.