



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 18-980

Board Meeting Date: 10/23/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Ken Cole, Director, Department of Housing
Subject: **Measure K:** Acquisition and Rehabilitation of 533 Warrington Avenue

RECOMMENDATION:

Measure K: Adopt a resolution authorizing:

- A) A loan to Multicultural Institute in the amount of \$388,950 for the acquisition and rehabilitation of real property located at 533 Warrington Avenue in North Fair Oaks; and
- B) The Director of the Department of Housing, or the Director's designee, to execute a loan agreement with Multicultural Institute for the acquisition and renovation of 533 Warrington Avenue in North Fair Oaks, 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.

Multicultural Institute is aware of a single-family home located at 533 Warrington Avenue in North Fair Oaks being offered for sale at a price significantly below the market value. The building is located in a residential neighborhood and houses clients of Multicultural Institute. The sellers of 533 Warrington are interested in preserving the affordability of the property and selling the building without displacing or rent-burdening the existing tenants.

DISCUSSION:

Multicultural Institute has applied for \$388,950 of ARAPP funding to support the acquisition and rehabilitation of 533 Warrington Avenue in North Fair Oaks. The 5,000 sq. ft. property consists of two bedrooms and one bath, and currently houses six tenants.

Borrower is committed to renting the property to clients who receive services offered by Multicultural Institute and renting all other future vacancies to households earning up to 80 percent of the AMI in line with ARAPP guidelines - although typically Multicultural Institute clients/tenants will have incomes significantly lower than the maximum set in the ARAPP loan program. At the close of escrow, Borrower anticipates retaining all six existing residents.

As proposed, the acquisition and rehabilitation of 533 Warrington Avenue meets many goals established under the **Measure K**-funded ARAPP, including preservation of naturally occurring affordable housing, conversion of unsubsidized housing to long term, rent-restricted housing serving low- and very-low income households, and minimizing the displacement of existing residents. Furthermore, this project will improve the quality and condition of the property by addressing immediate repairs and additional upgrades.

Multicultural Institute will submit an offer to purchase 533 Warrington Avenue for \$348,000. The development cost for life and safety improvements is estimated at \$3,650. Additional renovation work on the kitchen and bathroom is estimated at \$37,000.

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 of a Livable Community by ensuring that rental units remain affordable to lower income residents of San Mateo County.

PERFORMANCE MEASURE:

Measure	FY 2017-18 Actual	FY 2018-19 Projected
Acquire and preserve a single-family home to preserve affordability	0	6 tenants

FISCAL IMPACT:

This project will utilize \$388,950 from ARAPP, a **Measure K**-funded program.