



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 20-561

Board Meeting Date: 7/21/2020

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Raymond Hodges, Director, Department of Housing
Subject: Authorization for Second Amendment to the Exclusive Negotiating Rights Agreement for the Middlefield Junction Parcel "A" Mixed-Use Development Project

RECOMMENDATION:

Adopt a resolution authorizing a second amendment to the Exclusive Negotiating Rights Agreement between the County of San Mateo and Mercy Housing California to provide additional time for completion of pre-development activities and negotiation and preparation of an affordable housing and property disposition agreement for the Middlefield Junction Parcel "A" Mixed-Use Development Project.

BACKGROUND:

The Middlefield Junction Parcel "A" Mixed-Use Development Project (the "Project") is a mixed-use development with 179 units of affordable rental housing. The Project is situated on a vacant undeveloped 3.2-acre parcel (APN: 054-113-140) located at 2700 Middlefield Road (the "Project Site"), in the North Fair Oaks (the "NFO") neighborhood of unincorporated San Mateo County, which the County of San Mateo (the "County") acquired by grant deed on September 30, 2014.

Pursuant to Resolution No. 076375 from your Board, on March 4, 2019, the County executed an Exclusive Negotiating Rights Agreement (the "ENRA") with Mercy Housing California ("Mercy Housing") to provide a timeframe for Mercy Housing to undertake due diligence and predevelopment activities and for Mercy Housing and the County to attempt to negotiate an Affordable Housing and Property Disposition Agreement ("AHPDA"), which includes as an exhibit a long-term ground lease.

Pursuant to administrative authority in the ENRA, (i) on October 30, 2019, the Director of the Department of Housing ("Director") granted an administrative extension to the negotiating period under the ENRA, and (ii) on January 6, 2020, the Director executed a first amendment to the ENRA, to facilitate Mercy Housing's qualification to apply for affordable housing funding opportunities from the State of California Infill Infrastructure Grant (IIG) program, the No Place Like Home (NPLH) program and the Affordable Housing, Sustainable Communities (AHSC) program, and which further extended the negotiating period under the ENRA until July 31, 2020.

DISCUSSION:

Since the ENRA was executed, Mercy Housing has been diligently conducting predevelopment activities, including physical inspection of the property, coordinating with the Middlefield Road improvement project, obtaining land-use entitlements and environmental review, preparing construction drawings for the project, and submitting applications to many of the new State-funded affordable housing financing programs made available over the past year, which, if successful, will offset the significant County contribution needed to ensure the Project becomes a reality.

The negotiating period under the current amended ENRA expires on July 31, 2020, and both the Department of Housing (“DOH”) and Mercy Housing desire to continue working toward the development of this Project. To ensure the Project may continue to proceed, staff has prepared a second amendment to the ENRA to further extend the negotiating period under the ENRA to November 30, 2020, which would authorize the Director to grant administrative extensions to up until December 31, 2020 if the parties have made significant progress toward completing the AHPDA (including long-term ground lease).

This resolution has been reviewed and approved as to form by County Counsel.

FISCAL IMPACT:

There is no Net County Cost associated with this action. Mercy Housing will be responsible for all costs the County incurs in preparing the affordable housing and property disposition agreement (including long-term ground lease).