



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** HOUSING

**File #:** 21-161

Board Meeting Date: 2/23/2021

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

**To:** Honorable Board of Supervisors  
**From:** Raymond Hodges, Director, Department of Housing  
**Subject:** Agreements with MidPen Housing Corporation related to the Operation and Management of Affordable Housing Project for Extremely Low-Income Seniors in Redwood City

**RECOMMENDATION:**

**Measure K:** Adopt a resolution:

- A) Authorizing and directing the Director of the Department of Housing, or designee, to execute an Exclusive Negotiating Agreement with MidPen Housing Corporation to afford the parties sufficient time to negotiate the terms of an Operator Agreement, a Lease Agreement, and all documents evidencing and securing a start-up loan related to the operation and management of a permanent affordable housing development for seniors with extremely low-incomes on County property located at 1000 Twin Dolphin Drive in Redwood City; and
- B) Authorizing and directing the Director of the Department of Housing, or designee, in consultation with County Counsel, to negotiate and execute an Operator Agreement, a Lease Agreement, and all documents evidencing and securing a start-up loan in a total amount not to exceed \$1,500,000 in Measure K funds, with MidPen Housing Corporation, related to the operation and management of a permanent affordable housing development for seniors with extremely low-incomes on County property located at 1000 Twin Dolphin Drive in Redwood City.

**BACKGROUND:**

The Homekey Program (“Homekey”), administered by the California Housing and Community Development Department (“State HCD”), provided funding to rapidly sustain and expand the inventory of housing for people experiencing homelessness or at risk of experiencing homelessness and impacted by COVID-19. Homekey presented an opportunity for local public agencies to purchase motels and a broad range of other housing types in order to increase community capacity to respond to homelessness and the ongoing COVID-19 pandemic.

Last year, State HCD was authorized to provide approximately \$550,000,000 in Homekey funding

derived from the State's direct allocation of federal Coronavirus Relief Fund (CRF) and \$50,000,000 in State General Fund to assist local public agencies in the acquisition of, and provide initial operating subsidies for, Homekey sites to promote project feasibility.

With this Board's authorization (Resolution No. 077826), the County applied for and received a funding award from the Homekey Program to help finance the acquisition of a 95-unit hotel called TownePlace Suites, located at 1000 Twin Dolphin Drive in Redwood City (APN:095-222-230) ("Property") for the purpose of providing permanent affordable housing to some of the County's most vulnerable residents, including those who have experienced homelessness, those at risk of experiencing homelessness, and seniors who have extremely low-incomes.

On November 5, 2020, this Board authorized the County to negotiate the terms of a Purchase and Sale Agreement and acquire the Property, using Homekey Program funds and local Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds (Resolution No. 077825). The County conducted necessary due diligence and determined the Property was in good condition, closed escrow, and assumed title to the Property on December 3, 2020.

The County intends to use the Property as permanent affordable housing exclusively for seniors (62+ years of age) who have extremely low-incomes (ELI), earning less than 30 percent of the area median income, as well as seniors who may have experienced homelessness or are at risk of experiencing homelessness, including seniors receiving wrap around services through programs like the County's Whole Person Care Program and seniors who are medically frail.

#### **DISCUSSION:**

On December 22, 2020, the Department of Housing issued a Request for Qualifications ("RFQ") in order to solicit Statements of Qualifications from affordable housing developers and service providers, with extensive experience owning, operating, managing, and maintaining affordable senior housing as well as providing high-quality resident services and supportive services to seniors, to serve as the operator/manager of the Property.

Two (2) qualified affordable housing developers and operators submitted Statements of Qualifications in response to the RFQ, and a selection committee comprised of staff from the Department of Housing, the Human Services Agency, and the Behavioral Health and Recovery Services Division of the Health Department interviewed both entities and reviewed the submitted materials.

On February 16, 2021, the selection committee chose MidPen Housing Corporation ("MidPen") as the operator and manager of the Property because MidPen possesses the experience and skills necessary to identify and secure long-term funding for the Property, to utilize a thoughtful approach in working with the local community and neighborhood groups, and to provide the services the residents of the affordable housing development will need to remain stably housed and have a positive impact upon the surrounding community.

Subject to this Board's approval, the County and MidPen will enter into an Exclusive Negotiating Agreement ("ENA") to afford the parties sufficient time to negotiate the terms of an Operator Agreement, a Lease Agreement, and all documents evidencing and securing a start-up loan in a total amount not to exceed \$1,500,000 (collectively, "Loan Documents") that will be necessary for MidPen to operate and manage the Property for a ten (10) year period with an option to extend the Operator Agreement by mutual consent of the parties. The term of the ENA will be ninety (90) days, which may be extended by the Director of the Department of Housing, in writing, at the written request of MidPen, for up to 60 additional days ("ENA Period").

During the ENA Period, the parties will negotiate and execute an Operator Agreement setting forth the responsibilities of the parties, in consultation with their respective counsel. For instance, MidPen will be responsible for maintaining a balanced budget, undertaking all property management activities, including leasing up, implementing a preference for San Mateo County residents, working with County referral agencies, collecting rent and enforcing house rules, and providing robust resident and supportive services appropriate for seniors with extremely low-incomes.

In addition to the Operator Agreement, the parties will negotiate and execute a Lease Agreement and Loan Documents, in consultation with their respective counsel. Pursuant to the Lease Agreement, the County will lease the Property to MidPen at a nominal rate for a term of ten (10) years during which MidPen will operate and manage the Property. Pursuant to the terms and conditions of the Loan Documents, the County will provide MidPen with a start-up loan in a total amount not to exceed \$1,500,000, to fund startup costs and lease-up reserves in exchange for MidPen's agreement to rent the units exclusively to persons who are aged sixty-two (62) years or older and to record an affordability covenant restricting tenancy to individuals who earn at or less than 30 percent of area median income.

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

**FISCAL IMPACT:**

The financial impact of this action will be a commitment of \$1,500,000 of Measure K funds for the Start-Up Loan.