



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 22-108

Board Meeting Date: 2/8/2022

Special Notice / Hearing:None
Vote Required:Majority

To: Honorable Board of Supervisors

From: Raymond Hodges, Director of Department of Housing

Subject: **Measure K:** Loan to Highway 92 Succulents, Inc. for Purchase and Installation of Farm Labor Housing in Moss Beach

RECOMMENDATION:

Measure K: Adopt a resolution authorizing the Director of the Department of Housing, or designee, in consultation with County Counsel, to negotiate and execute a loan agreement and other documents necessary to provide a loan to Highway 92 Succulents, Inc. in a total amount not to exceed \$300,000 and with a fifteen (15) year loan term to help finance the purchase and installation of two new mobilehome units to serve as farm labor housing at 1585 Sunshine Valley Road, Moss Beach pursuant to Phase III of the County of San Mateo Farm Labor Housing Pilot Program.

BACKGROUND:

The approximately 1,700 farmworkers in the County of San Mateo face many challenges, including a lack of safe and affordable housing, adequate food, health care, and transportation. The high cost of living in San Mateo County (the "County") exacerbates these challenges.

Accordingly, the Housing Element of the County's General Plan has identified the improvement of farm labor housing as an important need. In addition, since 2014, the San Mateo County Board of Supervisors (the "Board") has allocated funds for initiatives to address the need for agricultural workforce housing, including the commissioning of an Agricultural Workforce Housing Needs Assessment and the implementation of the Farm Labor Housing Pilot Program - a loan program to repair or replace existing, or create new, agricultural 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, approved the allocation for \$500,000 of Moving to Work Funds (Voucher Reserves) for the Farm Labor Housing Pilot Program (the "Pilot Program"). The Board later replaced the Moving to Work Funds with Measure A funds to enable the County to better tailor the Pilot Program to meet local needs. The County created the 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.

The Agricultural Workforce Housing Needs Assessment, which was completed in 2016, identified the need for over 1,000 new units for the agricultural workforce. In light of this information, in January 2017, the County expanded the Farm Labor Housing Pilot Program to include construction of new housing and the addition of new mobilehome units (now referred to as the Farm Labor Housing Pilot Program Phase III or "Phase III"). In Phase III, the County provides loans of up to \$150,000 for each new unit ("Project Unit") created, up to a maximum of two units for each application. Similar to the loans for rehabilitation and replacement Project Units, the loans for new Project Units require the applicant to contribute 20 percent of the value of the County loan to the Project Units. The loans are interest free and will be forgiven at the rate of \$10,000 per year per Project Unit, assuming the operator maintains the required very low rent levels and all other contractual terms and conditions are satisfied.

To qualify, Project Units must meet a number of criteria, which are detailed in the Pilot Program guidelines and enforced by a loan agreement. Notably, all qualifying Project Units must be located in San Mateo County, and must be rented to "eligible farmworkers" -farmworkers who are engaged in full-time agricultural work in San Mateo County during the agricultural season and who are very-low income (earning less than 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 (and in no event may rent exceed 30 percent of the eligible farmworker's income). The Department of Housing shall monitor compliance with the terms and conditions of the loan on an annual basis until the loan is discharged.

DISCUSSION:

Highway 92 Succulents, Inc., owns property located in the unincorporated area of San Mateo County commonly known as 1585 Sunshine Valley Road, Moss Beach, CA 94038 (037-053-080) (the "Property") and wishes to purchase and install two Project Units on the Property for use by the agricultural workforce ("Project Units"). Highway 92 Succulents, Inc. has applied for a loan of \$300,000 (\$150,000 for each Project Unit) to help finance their purchase and installation under Phase III.

If approved by the Board, the Department of Housing (DOH) will issue a loan to Highway 92 Succulents, Inc., on behalf of the County, in a total amount not to exceed \$300,000 and with a 15-year loan term to purchase and install the Project Units (\$150,000 for each the Project Unit), and Highway 92 Succulents, Inc. will cover the remainder of the project cost, with a minimum of 20 percent of the loan value (\$30,000 for each mobilehome 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 Project Unit) over a 15-year loan term. Loan forgiveness will commence once the Project Units are installed and occupied by eligible farmworker tenants.

For the duration of the loan term, the occupancy of the housing will be restricted to very low-income farmworkers and available at rental rates that remain affordable to very lowincome households. Occupancy restrictions and rental rates will be monitored by DOH for the life of the loan. In addition, due to their location in the Planned Agricultural Zoning District, the Project Units will be restricted to use by farmworkers for the life of the Project Units.

Accordingly, DOH staff seek from the Board a resolution authorizing the Director of the Department of Housing, or designee, in consultation with County Counsel, to negotiate and execute the loan agreement and other documents necessary to provide a loan in a total amount not to exceed

\$300,000 and with a 15-year loan term to Highway 92 Succulents, Inc. for the purchase and installation of two Project Units.

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

FISCAL IMPACT:

There is no fiscal impact. The loan will use \$300,000 in **Measure K** funds previously allocated to the Farm Labor Housing Initiative.