



# CITY OF SAN MATEO

City Hall  
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## Agenda Report

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Agenda Number: {{item.number}}	Section Name: {{section.name}}	File ID: {{item.tracking_number}}
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**TO:** City Council

**FROM:** Drew Corbett, City Manager

**PREPARED BY:** Community Development Department

**MEETING DATE:** July 20, 2020

**SUBJECT:**  
State Local Housing Trust Funds Grant – Joint Application

### RECOMMENDATION:

Approve an agreement to request HEART, the San Mateo County Regional Housing Trust, apply for \$2 million from the State of California Local Housing Trust Fund grant program and if awarded, grant \$2 million as matching funds to be provided to MidPen Housing for construction of affordable housing at 480 E. Fourth Avenue, and authorize the City Manager to execute the agreement in substantially the form presented.

### BACKGROUND:

Approval of the Disposition, Development and Loan (DDLA) Agreement between MidPen Housing and the City of San Mateo is scheduled to come before the City Council on August 17, 2020. This will be in conjunction with the final planning approvals and environmental clearance for the affordable housing and public parking development located at the City's existing parking lots at 480 E. Fourth Avenue and 400 E. Fifth Avenue. The DDLA includes a provision that the City will provide \$7.5 million from various City Housing funds, including \$4 million from the Commercial Linkage Fee Fund.

The State of California has announced a new grant program, the Local Housing Trust Fund (LHTF) that provides matching funds for projects financed from local housing trust funds. The City's Commercial Linkage Fee (CLF) Fund meets the match criteria for this program, and therefore the City is eligible to apply for \$2 million of these funds. The LHTF is a competitive grant program that provides funds for affordable housing projects that meet certain affordability levels. The City's Downtown Sites project is a good fit for the grant, but the total available funds is limited for the entire State.

Staff has worked with HEART, the San Mateo County Regional Housing Trust, as well as staff from other local cities and the County, to strategize how to make our applications more competitive. As a result, staff recommends that the City partner with HEART to submit the application. As a regional trust fund, HEART is eligible for points not available to the City by itself, and it would greatly increase our ability to obtain the funds. This will require the City to grant our CFL funds earmarked for the project to HEART. If HEART is successful obtaining the grant funds, HEART will lend the City's \$2 million in CFL funds plus the approximately \$2 million (less an administrative fee) in LTFH to Mid Pen with the same loan terms as if the City provided them directly. If HEART does not receive an award of LTFH, the City will not grant the CLF funds to HEART and the grant agreement becomes null and void.

### BUDGET IMPACT:

Staff has proposed that \$7.5 million in various affordable housing funds be committed to MidPen Housing for the Downtown Sites project in the form of loans to be repaid out of residual cash flow, due in 55 years. This is the typical loan type used for affordable housing project. These projects do not generate much of a cash flow since the goal is to keep rents low enough to cover operating costs, but not to generate "profit". If cash flow does exceed expenses in any given year, the City and the County as funding providers, share a pro rata portion of 50% of the receipts. Typically, this payment

ranges from zero to \$50,000 for our existing properties with these loan terms. It is typical that the City receives up to \$200,000 over 10 years in residual payments from these projects. Although the loan is structured to be due in full in 55 years, it is anticipated that the project will require significant capital improvements and will likely refinance during that time period. It is also likely that the subsidy will be restructured to ensure ongoing affordability, and the City will not be repaid the principal. By granting the \$2 million to HEART, the City will not receive any annual residual payments on this portion of the funding. HEART has agreed that if it receives any loan repayments from this loan, it will strive to reinvest them in other housing projects within the City of San Mateo. If HEART is successful, they will receive \$2 million from the State. HEART will charge an administrative fee of \$200,000, resulting in \$1.8 million additional funds for the project.

**ENVIRONMENTAL DETERMINATION:**

This agreement is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5)). CEQA review for the Downtown Affordable Housing sites will be conducted as part of the planning approval process for the project.

**NOTICE PROVIDED**

All meeting noticing requirements were met.

**ATTACHMENTS**

Att 1 - Agreement

**STAFF CONTACT**

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