

CITY OF SAN MATEO
City Council Regular Meeting
May 19, 2025
7:00 PM



COUNCIL MEMBERS
Robert Newson Jr., Mayor
Adam Loraine, Deputy Mayor
Nicole Fernandez
Danielle Cwirko-Godycki
Lisa Diaz Nash

AGENDA ITEM

15. 2000 South Delaware Affordable Housing Development – Agreements

Approve the subordination of specified sections of the City Regulatory Agreement with MP Delaware LLC for the 2000 South Delaware Affordable Housing Development to the Deed of Trust of the senior lender, Housing Trust Silicon Valley, and authorize the City Manager to execute a Subordination Agreement and other agreements associated with this transaction that do not differ from the term sheet approved by the City Council on August 19, 2024.

CEQA: This agreement is not a project subject to CEQA, because it can be seen with certainty that it will not cause a physical change in the environment. (Public Resources Code Section 21065.)



CITY OF SAN MATEO

City Hall
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San Mateo CA 94403
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Agenda Report

Agenda Number: 15

Section Name: CONSENT CALENDAR

Account Number: 10-313:

File ID: 25-9926

TO: City Council
FROM: Alex Khojikian, City Manager
PREPARED BY: Community Development Department
MEETING DATE: May 19, 2025
SUBJECT:
2000 South Delaware Affordable Housing Development – Agreements

RECOMMENDATION:

Approve the subordination of specified sections of the City Regulatory Agreement with MP Delaware LLC for the 2000 South Delaware Affordable Housing Development to the Deed of Trust of the senior lender, Housing Trust Silicon Valley, and authorize the City Manager to execute a Subordination Agreement and other agreements associated with this transaction that do not differ from the term sheet approved by the City Council on August 19, 2024.

BACKGROUND:

2000 South Delaware Acquisition by MidPen Housing

2000 South Delaware (2000 S. Delaware) is a 60-unit affordable housing development located at 2000 South Delaware St. in San Mateo on City-owned land. It was previously owned and operated by Westlake Realty Group, until it was acquired by MidPen Housing in September 2024.

On August 19, 2024, the City Council approved the reassignment of the Ground Lease for 2000 S. Delaware from Westlake Realty Group to MidPen Housing (as MP Delaware LLC) and a term sheet (Term Sheet) outlining the terms of a loan commitment of \$500,000 that the City would provide in exchange for deepening the affordability of the units from moderate-income to low income (at or below 80 percent of Area Median Income, AMI).

With the \$500,000 City Loan, MidPen Housing was able to close the financing gap required to acquire 2000 S. Delaware from Westlake Realty Group and lower the affordability level of the units. The full cost of the acquisition was financed by a loan from Housing Trust Silicon Valley (HTSV) in the amount of \$17.6 million and a loan from MidPen Housing in the amount of \$5.95 million. MidPen Housing closed on the HTSV and MidPen loans and recorded an Assignment and First Amendment of Ground Lease with Westlake Realty and the City on September 30, 2024.

On December 9, 2024, the City Council adopted a Resolution appropriating \$500,000 from the City's General Fund Housing Set-Aside for the loan and authorized the City Manager to execute all documents associated with this transaction. This included an Amended and Restated Ground Lease and a Regulatory Agreement, which guarantees the affordability of the units for households at or below 80 percent AMI for a 55-year term. The City executed these agreements with MidPen Housing prior to the end of December 2024.

City Regulatory Agreement

The City's practice is to ensure that its regulatory agreements remain in "first position" in the recording order. Exceptions to this, such as allowing it to be subordinated to other public agencies' regulatory agreements, are described in the provisions of the Regulatory Agreement. The Regulatory Agreement does not contemplate being subordinated to another lender's Deed of Trust. The purpose of preventing this is to safeguard the ongoing affordability of the development in the

event of a foreclosure or default by the borrower (MidPen Housing).

Typically, a regulatory agreement, ground lease, loan agreement, and associated documents from all lenders would be executed and recorded as part of the same loan closing. In this case, MidPen Housing's acquisition involved multiple transactions, with staggered closing dates. When the Regulatory Agreement was recorded in December 2024, this was done separately from the other documents related to 2000 S. Delaware. The Regulatory Agreement was not recorded in first position but was placed below the HTSV and MidPen Deeds of Trust, which was already recorded as part of the October 2024 transaction.

HTSV has informed the City that it is not willing to allow its Deed of Trust to be fully subordinate to the City's Regulatory Agreement. To enable the City to close with MidPen and HTSV and release the \$500,000 in loan funds to MidPen, staff recommends executing a subordination agreement with HTSV (HTSV Subordination Agreement) that allows the Regulatory Agreement to be subordinated to the HTSV Deed of Trust, but that also identifies the specific affordability provisions of the Regulatory Agreement that will not be subordinated. The City will execute a separate subordination agreement with MidPen (MidPen Subordination Agreement) that subordinates the MidPen Housing Deed of Trust to the entire Regulatory Agreement.

Next Steps

If approved by the City Council, the City Manager will execute the remaining documents, including the HTSV Subordination Agreement, which specifies that the affordability provisions will not be subordinated to the HTSV Deed of Trust, and the MidPen Subordination Agreement. There are additional documents that will require execution and recordation as part of the closing, but these do not affect the original terms of the transaction with MidPen Housing as approved by the City Council.

HTSV has also requested changes to the Amended and Restated Ground Lease between the City and MidPen Housing related to the rights of the lender in the case of a default or bankruptcy by MidPen Housing. The new language requires the City to enter into a new ground lease with the "leasehold mortgagee" (the lender); the previous language stated that the City will "consider entering into" a new ground lease. This does not affect the original terms approved by the City Council between the City and MidPen but has been noted here for the awareness of City Council.

BUDGET IMPACT:

There is no impact to the General Fund from this action. \$500,000 was previously appropriated by the City Council via Resolution to provide in the form of a loan to MidPen Housing. No additional funds are required to close this transaction.

ENVIRONMENTAL DETERMINATION:

This agreement is not a project subject to CEQA, because it can be seen with certainty that it will not cause a physical change in the environment. (Public Resources Code Section 21065.)

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 – Housing Trust Silicon Valley Subordination Agreement (*Note: This document will be uploaded once its finalized*)

STAFF CONTACT

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