




COUNTY OF SAN MATEO
Inter-Departmental Correspondence

Human Services Agency
Office of Housing

DATE: June 4, 2003

BOARD MEETING DATE: June 24, 2003

TO: Honorable Board of Supervisors

FROM: Maureen Borland, Director, Human Services Agency
Steve Cervantes, Director, Office of Housing 

SUBJECT: Second Amendment to the Agreement with East Palo Alto
Community Alliance & Neighborhood Development Organization
(EPA CAN DO)

Adopt a Resolution authorizing:

1. Execution of a Second Amendment to the Agreement for the term of 4/1/2000 to 12/31/2005 with EPA CAN DO for Assistance with the Construction of Affordable Housing; and
2. The Director of the Human Services Agency to execute subsequent amendments and minor modifications not to exceed \$25,000 per funding source.

Background

Between April 1994 and November 1995, the County entered into a series of Agreements with EPA CAN DO, which enabled them to acquire three parcels of land adjacent to their existing office in East Palo Alto. The combined parcels now include the entire University Avenue frontage between Sacramento Street and Weeks Street containing approximately 0.9 acres. The EPA CAN DO Administrative Office, a single family residence and a triplex currently stand in these parcels. At the time of the acquisition of the vacant lot (in 1995), additional County funds were allocated to the Nugent Square project. At that time, the City of East Palo Alto was not willing to approve the proposed development plan due to pending state required revisions to its General Plan and Housing Element. The funding Agreement was allowed to lapse with the intention of entering into a new contract when the General Plan/Housing Element issue was resolved. The new General Plan and Housing Element for the City have now been completed and identified this area for high density housing. The project is now ready to proceed. Subsequently, the County has provided additional funds in support of the project for FY 2003-04. The total current funding, including the original

acquisition funding and accrued interest on those loans, is included in an actualized Note and Deed of Trust in the amount of \$2,123,346.

Discussion

The project budget submitted to the State Tax Credit Allocation Committee, which was approved in 2002, did not include prevailing wage in its calculations. Acknowledging the County view that payment of prevailing wages was of equal importance to the development of affordable housing, EPA CAN DO requested that all bidding be based on the current State prevailing wage for residential construction. This has resulted in a substantial increase in construction costs. While there appears to be adequate funding in place to complete the project, their primary lenders require that they have a contingency of approximately \$625,000 (equivalent to 10% of the construction costs) committed to the project in order to close on the construction loan. This results in a gap of \$481,894.

This Second Amendment provides for the extension of the term to 12/31/2005 and the funding for the gap but requires that all other funds be spent first before any of the new County funds are spent. It may be that none of the funds will be spent, in which case they will be returned to the Housing Development Reserve account. In exchange, EPA CAN DO has agreed to an increased level of affordability; the current Agreement provides for 3 "Very Low Income" units, 8 "HOME Income" units, and 20 "Low Income Limit" units. This amendment increases the "Very Low Income" units from 3 to 23.

It should be noted that the amount of the Note and Deed of Trust differ from the amount of the Contract in that the former includes the interests accrued in previous Agreement and First Amendment to the Original Agreement.

Vision Alignment

These actions keep the commitments to: Offer a full range of housing choices, and responsive, effective and collaborative government; and goals number 9 and 22: Housing exists for people at all income levels and for all generations of families: County and local governments effectively communicate, collaborate and develop strategic approaches to issues affecting the entire County. The actions contribute to these commitments and goals through the cooperative efforts of public and private parties to advance the mutual goal of providing a continuum of housing opportunities for low income families.

The term of the Agreement is from 4/1/2000 through 12/31/2005. This Second Amendment brings the total County obligation to \$2,210,031. The current FY 2003-04 obligation is \$481,894, from the Housing Development Reserves provided by the HOME funds. This funding is included in the Recommended Budget for FY 2003-04. There is no Net County Cost.

RECOMMENDED
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Paul Stannell
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ASSISTANT COUNTY MANAGER