



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

Board of Supervisors

DATE: March 21, 2005
BOARD MEETING DATE: March 29, 2005
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Supervisor Mark Church

A handwritten signature in black ink, appearing to read "M Church", written over the printed name "Supervisor Mark Church".

SUBJECT: Resolution authorizing the lease at less than fair rental value of 1.15 acres of County-owned real property located at the southwesterly corner of Grand Avenue and Oak Avenue, South San Francisco, to Bridge Housing Corporation, designated developer of the City of South San Francisco, in support of the development of a 43 unit affordable housing project. **(Lease 5303)**

Recommendation

Adopt a resolution authorizing the contribution, by entering a lease at less than fair rental value, of 1.15 acres of County-owned real property located at the southwesterly corner of Grand Avenue and Oak Avenue, South San Francisco, to Bridge Housing Corporation ("Bridge"), designated developer of the City of South San Francisco ("City"), in support of the goal of the County to increase the supply of affordable rental housing for San Mateo County families, and authorizing the County Manager, or designee, to accept, execute and/or agree to on behalf of the County, any and all amendments, extensions, options, notices, consents, approvals, easements, and documents in connection with the Lease in order to comply with the intent of the resolution and the lease.

Vision Alignment

This project meets the County's commitment to offer a full range of housing choices, and address Goal 9, to assure that housing exists for people at all income levels and for all generations of families. Further, it is responsive to the County's commitment to responsive, effective and collaborative government by addressing Goal 22, that County and local governments effectively communicate, collaborate and develop strategic approaches to issues affecting the entire County.

Background

In January 2003, at my recommendation, this Board declared the 1.15 acre site surplus to the needs of the County, and authorized the County Manager to negotiate a long-term, nominal rate lease with the City of South San Francisco ("City"), or its nominee, to facilitate the development of affordable housing on the site. The contribution of this valuable, but under-utilized, County-owned property was, as expected, the catalyst needed to drive the Project forward. With the assurance that the land would be available, the City initiated a competitive process and selected Bridge Housing Corporation ("Bridge") as its designated developer for the Project.

Bridge commissioned a design, solicited public input, and has obtained Planning Department approval from the City of a Project that consists of 43 rental units, 42 of which will be available to households that qualify for very low or extremely low income housing. The resident manager will occupy the remaining unit, and the rent for that unit will qualify as low income housing. Preference in tenant selection will be given to residents of the City or the County, and those employed within the City or the County.

The site, acquired in 1970, is adjacent to the North County Courts facilities. The property includes one small parcel (APN 011-311-070) and a portion of an adjacent, larger parcel (011-311-110). A lot line adjustment will establish the site as a separate legal parcel.

Discussion

The County Manager's Office has negotiated a ground lease with Bridge for a term that runs for 55 years from the date that a State loan is funded, which is scheduled upon completion of construction of the Project. If the Project is completed within three years, as estimated, the total lease term will be approximately 58 years. The lease limits the term to a maximum of 60 years, which allows for delays in completion of the Project.

By accepting nominal rent for the property rather than receiving fair market rent, the County effectively contributes the land, and promotes the goal of expanding affordable housing opportunities. Nominal compensation will be paid annually to the County from any available "Residual Receipts" of operation of the Project. The Residual Receipts are defined in the lease as the amount by which the Gross Revenue exceeds Annual Operating Costs. Operating Costs include, without limitation, ordinary and reasonable operating costs, mandatory payments of debt, and operating reserves required by a lender or the County.

Honorable Board of Supervisors
March 21, 2005
Page Three

Bridge will receive one-third of the Residual Receipts, and the balance will be divided annually among the entities that provide funding for the Project in proportion to the contribution received from each. The City is contributing \$3.5 million, the County's contribution of the land is based on the \$2.0 million appraised value, and Bridge will seek funding from the State in the sum of \$4.3 million. It is estimated that total Residual Receipts will range between \$5,000 and \$20,000 annually.

Upon expiration of the ground lease, title to all improvements will transfer to the County.

The Human Services Agency Director, Director of the Office of Housing and the Public Works Director concur in this recommendation.

Fiscal Impact

Based on the estimated Residual Receipts, the County's 13.61% share would range between \$680 and \$2722 per year. Proceeds will be paid to the Department of Housing to assist in creating new housing opportunities in the County. In support of its goal to expand affordable housing opportunities, the County will accept less than the fair rental value of the site.

cc/enc: Michael Murphy, Chief Deputy County Counsel
cc: John Maltbie, County Manager
Paul Scannell, Assistant County Manager
Neil Cullen, Public Works Director
Maureen Borland, Director, Human Services Agency
Steve Cervantes, Director, Office of Housing
Steve Alms, Real Property Services Manager

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

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**RESOLUTION AUTHORIZING THE EXECUTION OF A LEASE BETWEEN THE
COUNTY OF SAN MATEO AND BRIDGE HOUSING CORPORATION FOR
APPROXIMATELY 1.15 ACRES OF LAND AT THE SOUTHWESTERLY CORNER OF
GRANT AND OAK AVENUES, SOUTH SAN FRANCISCO, CALIFORNIA FOR THE
DEVELOPMENT OF 43 UNITS OF AFFORDABLE HOUSING
(LEASE NO. 5303)**

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, on January 13, 2004 your Board determined and ordered by Resolution No. 066453 that the following described real property is not needed for public use by the County of San Mateo:

Beginning at a point on the Southerly line of Grand Avenue Extension, which point is distant South 53° 15' West 118.07 feet from a granite monument set in the Westerly boundary line of the lands of the South San Francisco Land and Improvement Company, and marked "L7"; running thence Easterly line a curve to the left with a radius of 410 feet, 215.26 feet to a point on the Westerly line of Oak Avenue formerly Old Grand Avenue Extension; thence South 53° 15' West 500.59 feet along said Westerly line; thence North 36° 45' West 125 feet, to the Westerly boundary line of the lands of the South San Francisco Land and Improvement Company; thence along said Westerly boundary line North 53° 15' East 328.39 feet to the point of beginning; and

WHEREAS, Resolution No. 066453 further authorizes and directs the County Manager to negotiate a long-term, nominal rate lease of such real property with the City

of South San Francisco, or its designated and duly selected developer for use in the development of affordable housing; and

WHEREAS, Bridge Housing Corporation has been duly selected by the City of South San Francisco as its designated developer; and

WHEREAS, Government Code Section 25539.4 authorizes the use of County owned real property, in accordance with the County's best interests, to provide housing affordable to persons or families of low or moderate income; and

WHEREAS, Government Code Section 25539.4 further authorizes the lease of such real property at less than fair market value to provide such affordable housing; and

WHEREAS, there has been presented to this Board of Supervisors for its consideration and acceptance a lease of real property ("Lease"), reference to which is hereby made for further particulars, whereby the County of San Mateo shall lease to Bridge Housing Corporation approximately 1.15 acres of land as hereinabove described for nominal annual consideration as set forth in said Lease, and in accordance with the terms and conditions contained therein; and

WHEREAS, the Lease commences upon the execution and delivery of the signed agreement, which date is estimated as April 1, 2005, and expires fifty-five (55) years from the date on which the California Department of Housing and Community Development funds a post-construction loan under its Multifamily Housing Program, but not later than March 31, 2065; and

WHEREAS, this Board has been presented with the Lease and has examined and approved same as to both form and content and desires to enter into same.

NOW THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the President of this Board of Supervisors be, and is hereby, authorized and directed to execute said Lease for and on behalf of the County of San Mateo, and the Clerk of this Board shall attest the President's signature thereto; and

IT IS FURTHER DETERMINED AND ORDERED that the County Manager or designee is hereby designated the Authorized Officer of the County as set forth in the lease, and is authorized to accept, execute and enter on behalf of the County, any and all amendments, extensions, options, notices, consents, approvals, easements, permits, rights of entry, terminations and documents in connection with the Lease as needed to comply with the intent of this Resolution and the Lease, including such agreements that effect contiguous County owned property in relation to the construction of such affordable housing, except as otherwise provided by applicable law, including the County's Ordinance Code and Charter.

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