Category 4H Compiled Backup Documents Table of Contents

Directed residual redevelopment funds to accelerate the production of affordable housing.

1. Certified Action Item 2018-849 - Bay Meadows Affordable Housing Project Loan Document Approvals (p. 2)

2. Resolution No. 51 (2026) - Bespoke Housing Project Appropriation (p. 4)

3. Resolution No. 93 (2020) - Affordable Housing and Parking Garage Project (excerpt) (p. 6)

CITY OF SAN MATEO

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Certified Copy

Action Item: 2018-849

File Number: 2018-849

Bay Meadows Affordable Housing Project - Loan Document Approvals

BACKGROUND

On November 21, 2016 the City Council approved a Disposition, Development and Loan Agreement (DDLA), with Winfield Hill, Inc, a subsidiary of BRIDGE Housing for the development of 68 family rental units at the Bay Meadows affordable housing site. On 11/20/2017 this agreement was assigned to the new limited partner formed for the project, Bay Meadows Affordable Housing Associates, L.P., (also known as BRIDGE). The site will be leased to BRIDGE for 99 years for $1 year and the City will provide $2M as financial assistance for the project. BRIDGE has finalized its financing package and is preparing to close on its construction loan, obtain the building permit and begin construction in December 2018. Other major funding sources include $8.7M from the County of San Mateo, $25M in equity raised from the Low Income Housing Tax Credits, as well as a permanent loan upon completion for about $16M.

The loan related documents that will be executed as part of the escrow for the construction loan:

Regulatory Agreement. This describes the affordability restrictions and monitoring requirements for the project over the life of the property.

Promissory Note and Deed of Trust. This includes the terms of the $2M loan from the City at 3% for 55 years. Annual payments will be made as a percentage of the available cash flow of the property.

Backstop Promissory Note, Deed of Trust and Loan Agreement. BRIDGE anticipates obtaining $670,000 from the Affordable Housing Program sponsored by the Federal Home Loan Bank in early 2019. Based on past experience, the project should be awarded this funding, but it is not guaranteed. On 2/20/18 the Council approved a "backstop" loan if this funding is not obtained. The terms of the loan would be the same as the City loan described above. The Loan Agreement describes the conditions that these funds would be provided at the completion of construction, estimated in 2020, if they are needed.

Intercreditor Agreement. Since the County and the City are both contributing funding with similar terms, and the City contribution total will not be known until the end of the project, this agreement describes the seniority of the loans and how they will be repaid.

Second Amendment to Ground Lease. A number of clarifying edits were requested by the Lender for the project, including how defaults will be handled if the default is not capable of cure within the cure period, the first lender's rights in the event that the lender becomes the leaseholder through foreclosure, and the lessee's right of first refusal in the event that the City opts to sell the property.

BUDGET IMPACT

Low & Moderate Income Housing Asset funds (Fund 31) from the former Redevelopment Agency are budgeted in Housing Land Project 310416 and $2 million is available for the development loan. These funds are restricted for use for low income affordable housing.

ENVIRONMENTAL DETERMINATION

The Bay Meadows Affordable Housing Project was approved on January 21, 2018 under the Statutory Exemption pursuant to the California Environmental Quality Act Guidelines, Section 15182 (Residential Projects Pursuant to a Specific Plan) and 15194 (Affordable Housing Exemption).

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1- Regulatory Agreement
Att 2- City Promissory Note-$2 Million
Att 3- City Deed of Trust
Att 4- Backstop Promissory Note -$670,000
Att 5- Backstop Deed of Trust
Att 6- Backstop Loan Agreement
Att 7- Intercreditor Agreement
Att 8- Second Amendment to Ground Lease

STAFF CONTACT

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Attest

Patrice M. Olds

Patrice Olds, City Clerk

12/5/2018

Date Certified

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CITY OF SAN MATEO
RESOLUTION NO. 51 (2026)

APPROPRIATING $2M IN LOW/MODERATE INCOME HOUSING ASSET FUNDS AND $1M IN COMMERCIAL LINKAGE FEE FUNDS INTO THE BESPOKE HOUSING PROJECT

WHEREAS, on January 4, 2021, the City Council approved Resolution No.3 (2021) declaring the City-owned parking at East 4th Avenue and South Railroad Avenue (APNs 034-179-050 and 034-179-060, herein referred to as the "Property") as "surplus land" and subsequently released a Notice of Surplus Lands Availability to all housing developers that have registered with the State Department of Housing and Community Development (HCD); and

WHEREAS, on April 19, 2021, the City received four proposals for the acquisition and development of the Property, including a proposal from the three-party Development Team composed of Prometheus Real Estate Group and Harvest Properties (collectively referred to as "Commercial Developer"), and Alta Housing ("Residential Developer"); and

WHEREAS, on October 4, 2021, the City Council approved the City entering into an Exclusive Negotiating Agreement (ENA) with DTSM Housing, LLC for the redevelopment of the Property; and

WHEREAS, the City, the Commercial Developer, and the Residential Developer desire for the Development Team to construct a mixed-use development totaling 239,628 square feet and consisting of one seven-story, 76,072 square-foot affordable housing building that includes approximately 5,964 square feet of ground floor community space ("Residential Improvements"); one six-story, 162,926 square-foot office/commercial building ("Commercial Improvements"); and an underground parking garage, located at 445 South B Street (collectively referred to as the "Project"); and

WHEREAS, the City Council will provide $3,000,000 in the form of a loan ("Loan") to support the affordable housing construction; and

WHEREAS, the City's commitment of $3,000,000 and the terms and conditions of the Loan are contained in the Disposition and Development Agreement between the City, AH Bespoke LP, and DTSM Housing, LLC, and associated Permanent Loan documents for the Project; and

WHEREAS, an appropriation of $3,000,000, of which $2,000,000 is from the Low Moderate Income Housing Asset Fund (Fund 255) and $1,000,000 is from the Commercial Linkage Fee Fund (Fund 270), to the Bespoke Housing Project is necessary to fund the Loan.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN MATEO, CALIFORNIA, HEREBY RESOLVES that:

1. This fund appropriation is not a project of CEQA because it is an organizational or administrative activity that will not impact the environment (CEQA Guidelines Section 15378(b)(5).

2. The appropriation of $2,000,000 from the Low Moderate Income Housing Asset Fund (Fund 255) and $1,000,000 from the Commercial Linkage Fee Fund (Fund 270) into the Bespoke Housing Project is approved.

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RESOLUTION NO. 51 (2026) adopted by the City Council of the City of San Mateo, California, at a regular meeting held on May 18, 2026, by the following vote of the City Council:

AYES: Council Members Loraine, Fernandez, Cwirko-Godycki, Diaz Nash, and Newsom
NOES: None
ABSENT: None

ATTEST:

Martin McTaggart, City Clerk

Adam Loraine, Mayor

CITY OF SAN MATEO
RESOLUTION NO. 93 (2020)

ADOPTING THE INITIAL STUDY/MITIGATED NEGATIVE DECLARATION; APPROVING SITE PLAN AND ARCHITECTURAL REVIEW ENTITLEMENTS FOR THE DEMOLITION AND CONSTRUCTION OF A NEW RESIDENTIAL BUILDING AND PARKING GARAGE, INCLUDING USE OF STATE DENSITY BONUS AND WAIVER OF BUILDING BULK AND STREET WALL AREA DEVELOPMENT STANDARDS, AND FOR AN ON-STREET LOADING ZONE; A SITE DEVELOPMENT PLANNING APPLICATION FOR THE REMOVAL OF MAJOR VEGETATION INCLUDING HERITAGE TREES, AND A SPECIAL USE PERMIT TO ALLOW THE PARKING GARAGE USE IN THE CENTRAL BUSINESS DISTRICT SUPPORT ZONING DISTRICT; MAKING 33433 FINDINGS; AND AUTHORIZING EXECUTION OF THE DISPOSITION, DEVELOPMENT, AND LOAN AGREEMENT BETWEEN THE CITY OF SAN MATEO AND MP DOWNTOWN ASSOCIATES L.P. FOR THE CITY-OWNED DOWNTOWN AFFORDABLE HOUSING AND PARKING GARAGE SITE (PA 2019-033).

WHEREAS, in 2017, the City issued a Request for Proposal to select a developer for the purpose of constructing and operating housing and constructing a public parking garage to be operated by the City on the City-owned properties located at 480 East 4th Avenue and 400 East 5th Avenue and was selected MP Downtown Associates L.P. (the "Developer") as the developer of the Site; and

WHEREAS, The City and the Developer desire for the Developer to construct two hundred and twenty five (225) units of multi-family rental housing for low income households located on 480 East 4th Avenue, up to six hundred ninety-six parking spaces (696) on 400 East 5th Avenue, and a pedestrian bridge connecting the two buildings over the adjacent public street (the "Project"); and

WHEREAS, the per the terms of the Disposition, Development and Loan Agreement (DDLA), the City will ground lease the Residential Property to the Developer, will license the Garage Property to the Developer during the construction of the Garage Improvements, and will enter into an appurtenant easement dedicating no less than 164 parking spaces on the Garage Property, for the term of the Ground Lease, to the Residential Development; and will provide a loan of up to $12.5M for construction funding; and

WHEREAS, In accordance with Government Code Section 54221(f)(1)(F), the City's lease of the Properties to Developer is exempt from the state Surplus Lands Act because the lease is for a housing development that will restrict 100 percent of the residential units to persons and families of low or moderate income, with at least 75% of the residential units restricted to lower income households as defined in Health and Safety Code Section 50079.5; and

WHEREAS, in accordance with Health & Safety Code Section 33433, the City has prepared a Reuse Appraisal, which summarizes the project costs and revenues to the City and determines the reuse value of the property; and

WHEREAS, the project, which is fully detailed in the accompanying Administrative Report includes:

- The Site Plan Site Plan and Architectural Review (SPAR) entitlements for the demolition and construction of a new residential building and parking garage, including use of state density bonus and a waiver of building bulk and street wall area development standards and for an on-street loading zone,

- A Site Development Planning Application (SDPA) for the removal of major vegetation including heritage trees,
- A Special Use Permit (SUP) to allow the parking garage use in the Central Business District Support (CBD/S); and

WHEREAS, the Planning Commission, by not less than a majority of its members, has recommended approval of the project by a unanimous vote, subject to the Conditions of Approval, attached herein as Exhibit 3; and

WHEREAS, pursuant to the provisions of the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), the City prepared an Initial Study and Mitigated Negative Declaration (IS/MND) which identified and discusses potential environmental impacts of the project and proposed mitigation measures which would eliminate any potential significant impacts; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN MATEO, CALIFORNIA, HEREBY RESOLVES that:

1. The Initial Study and Mitigated Negative Declaration (IS/MND) (attached hereto as Exhibit 1) adequately assesses the environmental impacts of the proposed project and is adopted. Potentially significant impacts have been identified. Mitigation measures have been identified and are incorporated into conditions of approval which would mitigate impacts to the levels which will not cause significant impacts on the environment.
2. Pursuant to Section 21081 of the Public Resources code, a mitigation monitoring and reporting program will be included as part of the conditions of approval to mitigate and avoid potentially significant impacts on the environment.
3. The City Council adopts the Findings for Approval attached as Exhibit 2 to this Resolution.
4. The City Council adopts the Conditions of Approval attached as Exhibit 3 to this Resolution.
5. Based on the Findings for Approval and the Conditions of Approval, the City Council approves the following:
    a. The Site Plan Site Plan and Architectural Review (SPAR) entitlements for the demolition and construction of a new residential building and parking garage, including use of state density bonus and a waiver of building bulk and street wall area development standards and for an on-street loading zone.
    b. A Site Development Planning Application (SDPA) for the removal of major vegetation including heritage trees.
    c. A Special Use Permit (SUP) to allow the parking garage use in the Central Business District Support (CBD/S).

6. Pursuant to Health & Safety Code Section 33433, the City finds that:
    a. The lease of the residential property will assist in providing housing for low and income households.
    b. The lease of the property is consistent with the implementation plan of the former Redevelopment Agency of the City of San Mateo adopted pursuant to Section 33490 because it authorized the use of redevelopment agency funds for low income housing and will assist in the elimination of blight.
    c. The consideration to be provided by the Developer is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the lease because the reuse appraisal (attached herein as Exhibit 5) demonstrates that with these restrictions the reuse value of the property is zero.
7. The Disposition, Development, and Loan Agreement (DDLA) with MP Downton Associates, L.P. (attached herein as Exhibit 4), which authorizes the execution of a ground lease, a license agreement, easement, and a City Loan of $12.5 million, for the construction of affordable housing and a parking garage is approved.
8. The City Manager is authorized to execute the DDLA in substantially the form attached.
9. The City Manager is authorized to approve and execute future revisions to the DDLA with the concurrence of the City Attorney, so long as the changes do not materially alter substantial rights and obligations of the City.
10. The City Manager is authorized to approve and execute other related documents, such as but not limited to, the ground lease, license agreement, and easement, implementing the provisions in the DDLA, subject to the approval of the City Attorney.
11. This resolution takes effect on the effective date of the City's AB 1763 ordinance, which is August 19, 2020.

RESOLUTION NO. 93 (2020) adopted by the City Council of the City of San Mateo, California, at a regular meeting held on August 17, 2020, by the following vote of the City Council:

AYES: Council Members Goethals, Rodriguez, Bonilla, Lee and Papan
NOES: None
ABSENT: None

ATTEST:

Patrice M. Olds, City Clerk

Joe Goethals, Mayor