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CITY OF SAN MATEO

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Agenda Report

Agenda Number: 17 Section Name: OLD BUSINESS Account Number: 10-3133 File ID: 26-11333

TO: City Council

FROM: Alex Khojikian, City Manager

PREPARED BY: Community Development Department

MEETING DATE: September 8, 2026

SUBJECT:
Housing Fund — Informational Update

RECOMMENDATION:
Receive an update on the status of the City's housing funds and provide direction on funding strategy and prioritization for the next five years.

BACKGROUND:
As the City continues implementation of its 2023-2031 Housing Element and pursues major grant programs to support its efforts, there is a need to develop a housing funding strategy for the next five years. The purpose of this study session is to seek City Council direction on upcoming funding-related opportunities, including compliance with the Metropolitan Transportation Commission's Transit-Oriented Communities (MTC TOC) Policy, pursuing a Prohousing Designation from the State, and use of Permanent Local Housing Allocation (PLHA) funding, and how to prioritize expenditure of City Housing funds.

Housing Funding Policy Framework
There are specific Housing Element policies, grant program requirements, and community feedback received over the past year that should guide how the framework for a Housing funding strategy is developed.

2023-2031 Housing Element
The City of San Mateo's 2023-2031 Housing Element (Housing Element) established goals, policies, and programs to facilitate the production of 7,015 housing units and address key housing challenges identified through the housing needs assessment and community input process. The following policies and programs in the Housing Element workplan directly address the allocation or prioritization of City housing funds:

- **Policy H1.2: Utilize Public Funding and Properties for New Affordable Housing**
  - **Action:** Identify ways to create a stand-alone Housing Trust Fund and utilize that fund to leverage new funding sources.
  - **Action:** Prioritize available local housing funds to assist in the production of at least 543 below market rate units by 2031; emphasis on ELI units.
  - **Action:** Support affordable housing development, including ELI units, on the City owned property at 4142 S. El Camino Real.

- **Policy H2.2: Support Retention of Existing Lower Income Units**
  - **Action:** Coordinate with the owners of Bridgepointe Condominiums and identify a funding source to preserve the 24 very low-income units as affordable upon expiration of the City's regulatory agreement in 2027.
  - **Action:** Coordinate with the owners of Belmont Building (6 units) and identify funding source to preserve the

units prior to expiration of the City's regulatory agreement in 2036.

- **Policy H3.1: Prevent Homelessness**
  - **Action:** Allocate PLHA, CDBG, and other local funds to support homeless prevention.

- **Policy H2.3 Increase Energy and Water Efficiency in Existing Units**
  - **Action:** Weatherization upgrades through grants for lower-income residents; serve 7 annually.

- **Policy H5.1.3 Explore the potential to implement a loan program for ADU construction.**
  - **Action:** Work with 21 Elements collaborative to design a regional loan forgiveness program.

**This is a summary of relevant Housing Element items. For the full text of Housing Element Goals, Policies, and Programs, please refer to the Housing Element.*

Regional and State Housing and Funding Programs
Three upcoming opportunities at the regional and state level will require prioritization of housing funds to align with program requirements and position the City to be more competitive for housing and transportation grant funding.

MTC TOC Policy - The City is currently pursuing full compliance for the Transit-Oriented Communities (TOC) Policy Incentive Program, a program of the Metropolitan Transportation Commission (MTC). Last May, MTC changed the TOC Policy program so that compliance is no longer mandatory to compete for One Bay Area Grant (OBAG) funding, but instead makes the City eligible for additional funding. The TOC Policy includes standards for density near transit, parking and transportation; a commercial stabilization policy; and housing policies in the areas of production, preservation, and protection. The City received a $610,000 TOC grant for the Comprehensive Zoning Code Update in 2025 with a commitment to pursue partial TOC Policy compliance as part of the Zoning Code Update effort.

Permanent Local Housing Allocation - The City is a recipient of the Permanent Local Housing Allocation (PLHA), a formula-based (noncompetitive), state-funded grant program administered by the Department of Housing and Community Development (HCD) for housing-related projects and programs to address housing needs. The program runs on a five-year cycle, the first of which ended on June 30, 2026. PLHA requires jurisdictions to create a Five-Year Plan for the uses of PLHA funds. The process to develop the City's next five-year plan will begin in fall 2026.

Prohousing Designation Program - City staff is also researching the State's Prohousing Designation Program (PDP), an HCD program that rewards local governments that go beyond minimum state laws to remove barriers to housing production, streamline approvals, and adopt inclusive zoning. Prohousing Designated cities gain scoring preferences for state grants and exclusive access to the Prohousing Incentive Program (PIP), a grant program also administered by HCD.

Community Feedback on Anti-Displacement and Housing Stability
Common themes have emerged from community outreach conducted for the City's Housing Element and housing policy discussions that may also inform the City's housing funding strategy. Many funding-related comments have centered around the importance of emergency rental assistance, free legal aid, and tenant-landlord education in preventing eviction of lower-income tenants.

On August 19, 2026, the Community Relations Commission (CRC) held a discussion on housing funding priorities at its regular meeting. At the meeting, members of the public expressed strong support for increasing funding for legal aid, tenant education and outreach, and emergency rental assistance. Comments emphasized the need for deeply affordable housing; case management, especially for lower-income seniors; and programs for home repairs or weatherization/energy efficiency upgrades for lower-income seniors. Commissioner feedback reinforced these comments and emphasized a need for investments in homelessness prevention and new affordable housing for the lower-income senior population.

<u>Housing Division Restricted Funds and Fund Balances</u>
The Housing Division administers several restricted housing funds. These funds draw revenue from various sources,

including new commercial development, new affordable housing development, loan repayments and revenues from the former Redevelopment Agency, and state and federal grants. In recent years, the City has seen significant revenue in some of these restricted funds, though annual revenue varies significantly, and projections can be challenging. Each housing fund, its estimated balance as of July 1, 2026, and its primary uses are listed below. Summaries of each fund from the City's adopted FY26-27 Budget are included in Attachment 2.

Housing Successor/LMIHAF/RDA (Fund 255) - $5,381,000
The Low- and Moderate-Income Housing Asset Fund (also called "Housing Successor" Fund or "RDA" Fund) consists of loan payments, lease payments, sale of property, and any other revenue generated from loans or assets held by the City as Housing Successor to the former Redevelopment Agency (RDA). State law regulates the usage of these funds to support housing projects that assist households whose income ranges up to 80% of the Area Median Income (AMI).

This fund has a statutory limit of spending up to $500,000 annually for services to prevent homelessness or serve households experiencing homelessness. Administrative expenses of up to $518,000 can also be covered through this source for overseeing RDA assets. The City's Emergency Rental Assistance Program and the Police Department Homeless Outreach Team (HOT) are both currently funded with RDA money. The fund has also been used for loans to the Kiku Crossing and Bespoke affordable housing developments. The annual revenue for this fund is unpredictable; however, staff estimates a conservative annual revenue of approximately $200,000.

Commercial Linkage Fee (Fund 270) - $3,795,000
The Commercial Linkage Fee (CLF) is assessed on new commercial developments to address the impacts of new job creation on housing availability and affordability for workers. Developers pay a fee based on square footage of new commercial space depending on type of use: office, retail, or hotel. The funds are to be used for housing programs to assist workers who make up to 120% of AMI and for rehabilitation of housing units. The state requires jurisdictions to program CLF funds every five years and report on the updated CLF budget.

In Fiscal Year (FY) 25-26, $1,000,000 of CLF money was set aside to support the Bespoke affordable housing development. Previously, CLF has been used to fund the construction of the Kiku Crossing affordable housing development. Revenue is dependent on projects receiving a building permit. This is challenging to predict; however, staff estimates that a cumulative amount of up to $7,000,000 could be collected over the next five years based on the current project pipeline.

City Housing Fund (Fund 250) - $1,563,000
The City Housing Fund captures a variety of housing-related revenues, including loan repayments from prior federal rehabilitation and City first-time homebuyer loans, fees collected for housing loan subordination requests, and Below Market Rate (BMR) program in-lieu fees. This fund is less restrictive, but annual revenues are highly unpredictable. Staff estimates an annual revenue of approximately $260,000.

The fund currently supports Housing Division staff salaries and the First-Time Home Buyer Program's Administrator. Below market rate (BMR) loans to low-income home buyers are also supported through this funding source; one to two loans of $50,000 are issued each year.

General Fund Housing Set Aside (Fund 130) - $6,470,000
Since the dissolution of Redevelopment Agencies, the City has voluntarily set aside 20% of General Fund property tax revenues from its former Redevelopment Areas to be used for affordable housing development and other housing-related programs. This flexible source of funding has been used in recent years for staff salaries, loans to affordable housing projects, and grants for housing case management. As part of the recently amended Housing Element approved by HCD, if the City is forecasting and experiencing a budget deficit the City may forgo its annual General Fund contribution to the Housing Set Aside Fund.

PLHA (Fund 280) - $48,000 (remaining of $293,103 total allocation for FY25-26)
The Permanent Local Housing Allocation (PLHA) is a state grant program administered by HCD that began in 2020. Funding

is continuous through state receipts of document recording fees each year. These funds may be used for housing-related projects and programs that assist in addressing unmet housing needs. Funds are awarded in five-year cycles and are distributed to local grant recipients following a City Council-adopted Five-Year Plan. Prior PLHA grantees included affordable housing developments with supportive services, a homeless shelter, a rapid rehousing program, and a homeless shelter, all serving San Mateo residents.

The City has just completed the initial five-year cycle and will begin the planning process for the next Five-Year Plan in the coming months, followed by the application for Year 1 funds. The formula allocation for Year 1 is $239,986, with annual funding of approximately $240,000 anticipated in the upcoming years.

CDBG (Fund 215) - $638,000 (remaining of $753,586 entitlement for FY25-26)
The Community Development Block Grant (CDBG) Program is a federal grant from the U.S. Department of Housing and Urban Development (HUD) that provides flexible funding for community development projects and programs to assist lower- income neighborhoods and households. San Mateo has participated in this program since 1977. The fund consists primarily of an annual entitlement grant, though CDBG also generates program income from loan repayments. The City draws down its annual entitlement plus any prior-year unexpended funds on a reimbursement basis from HUD.

The current balance shown above reflects the remaining funds from the 25-26 program year, plus a small amount of prior-year funds. The balance is relatively large due to the City receiving its 25-26 entitlement funds at the end of the program year, as the City was delayed in executing its grant agreement with HUD for the funds until June 2026. The entitlement amount for the 26-27 program year is $802,758.

HOME (Fund 210) - $601,000
The HOME Investment Partnership (HOME) Program is a federal grant used to support rental and homeownership housing opportunities for households up to 60-80% of the AMI. The City received an annual HOME grant from 1994 to 2016. The fund now includes program income from repayments on loans funded with HOME funds in the past. The City has been part of the San Mateo County HOME Consortium since 2016 and therefore does not receive a direct allocation from HUD; however, it does receive a small annual allocation for administration from San Mateo County ($11,000-12,000) to offset staffing costs associating with monitoring HOME-regulated projects.

Housing Funding Strategy Recommendations
Over the last five years, housing-related services have accounted for roughly one quarter of all Housing Division annual expenditures. The majority of City-restricted housing funds are intended for affordable housing *production* and *preservation* — expenditures that are driven by the affordable housing development pipeline rather than a fixed schedule. To see how the City distributed its funds in FY 25-26 organized by funding category, refer to the chart in Attachment 1.

Housing Division expenditures in the coming years will be shaped by the City's Housing Element commitments, major grant opportunities, and community feedback. To guide how this strategy takes shape and how funds are expended, staff is seeking City Council direction on next steps related to MTC TOC Policy compliance, applying for a Prohousing Designation, and PLHA priorities, as any other specific activities will require City investment beyond those in the Housing Element.

MTC TOC Policy
As noted above, staff is currently reviewing City housing programs and policies against the requirements of the MTC TOC Policy to identify any "gaps" in the program requirements to achieve full compliance. As outlined in the MTC Administrative Guidelines for TOC Communities Policy, jurisdictions are required to have, or adopt affordable housing policies in the *Production, Preservation, and Protection* categories and meet a minimum funding threshold for each category to gain sufficient points in the scoring system to be eligible for the TOC Policy Incentive Program. Currently, the City does not meet the threshold for all housing categories. Staff is seeking direction from City Council to adjust funding in the *Preservation* and *Protection* categories to achieve compliance with the affordable housing component of MTC TOC Policy. This is discussed in greater detail below.

Prohousing Designation Program

The Prohousing Designation Program is a competitive program for jurisdictions that go "above and beyond" to promote the production of housing. The application consists of a rigorous review of City policies and programs to demonstrate compliance with a menu of policies across four broad categories. The designation is valid for three years and benefits jurisdictions by prioritizing them for various types of state funding, including the Prohousing Incentive Program (PIP). To achieve this designation, the City would have to augment existing policies and create a new program, which is discussed in more detail below.

Staff is seeking City Council direction to apply for the Prohousing Designation by the end of 2026 so that the City can compete for PIP funds in the next cycle (Q1 of 2027). Prior to submitting the application, staff would return to City Council with other items required to achieve the designation.

PLHA Five-Year Plan

As noted above, HCD has released a Notice of Funding Availability (NOFA) for the second five-year cycle. An award amount of $239,986 is estimated for the first year of the new five-year cycle. HCD requires applicant jurisdictions to submit a Five-Year Plan for PLHA expenditures before applying for funds annually. Eligible uses for this fund are divided into three main activity areas: rental, affordable owner-occupied workforce housing, and homelessness assistance.

Staff is seeking initial direction on how to allocate these funds and to commence the Five-Year Plan process this fall. In the previous cycle, the City mainly funded services under the homelessness assistance activity (shelter operations, rental assistance, and case management). PLHA funds may again be utilized for homelessness assistance. A portion of the funds may also be used to support an ADU Loan Program through the ADU Resource Center. This would further Housing Element policies H 3.1 (Prevent Homelessness) and H 5.1.3 (ADU Loan Program).

<u>Recommendations for Housing Division Funding Strategy</u>

The following funding recommendations fall broadly under the "3Ps" - Production, Preservation, and Protection. The funding recommendations and potential sources below are meant to serve as guideposts for the City Council in providing direction to staff. Some of these recommendations incorporate the requirements of MTC TOC Policy, Prohousing Designation, and PLHA, and are subject to change based on City Council direction. Funding amounts are approximate.

PRODUCTION - $10.68M total

1. ***Housing Fund to Support Production, Preservation, and Rehab***

   There are a combined $17.69M across Housing Set-Aside, RDA, City Housing, and CLF funds, which is sufficient to support far more than the targeted 260 affordable housing units at $100,000 per unit (average) cited in the Housing Element.

   However, to meet the requirements of a Housing Trust Fund for a Prohousing Designation, per the Prohousing Designation Guidelines, a jurisdiction must go beyond having funds "on deposit" in their respective funds by creating a local "housing trust fund" and demonstrate that it will "regularly and significantly" contribute to that fund for affordable housing. The City could meet this by setting aside a combination of Housing Set-Aside, RDA, City Housing, or CLF funds for the purpose of funding projects. Projects could be awarded via a Notice of Funding Availability (NOFA), whereby developers are invited to submit applications by a set deadline and all applications are considered on a competitive basis, or an ongoing "over-the counter" program in which funds are awarded to eligible projects on a first-come, first-serve basis. In either case, the City must commit to replenishing this account at "regular intervals,"i.e., annually.

   If the City Council directs staff to pursue the Prohousing Designation, staff recommends establishing a dedicated fund with an initial amount of $5M to align with the Prohousing Designation. This will also serve to encourage developers to move projects forward in San Mateo and meet Housing Element Policy H 2.1 (Utilize Public Funding and Properties for New Affordable Housing). Taking this action creates more transparency and signals the City's capacity and intent to fund projects of various types. Production, preservation, and rehab activities are all eligible uses under the funds named above.

As a first step, City Council may appropriate funds into a new account via resolution at a future City Council meeting. Staff can then develop key program parameters for developers to apply for funds on a rolling basis. The recommended amount ($5M) is based on potential requests for funding that staff anticipates in the coming years and could support two to three projects, depending on the size. For each project that receives Housing restricted funds, staff would work to leverage the City's contribution with the state grant sources noted in this report and potentially with federal sources, thus multiplying the impact of the City's investment.

2. ***Housing Fund to Support Affordable Housing Development on City-Owned Land***

Housing Element Policy H 1.2 requires the City to assess feasibility of developing the City-owned parcel at 4142 S. El Camino Real with affordable housing, with an emphasis on extremely- and very low-income units. This site has limited potential alone, but with assemblage of the adjacent two parcels, there could be enhanced potential for a larger, mixed-use, mixed-income development with development partners. Realizing a project at this scale would likely require a sizeable City contribution, thus feasibility assessment is necessary before more specifics can be established.

Additionally, jurisdictions can claim credit under both MTC TOC Policy and the Prohousing Designation for demonstrating a commitment to utilizing publicly owned land for affordable housing beyond what is required by the Surplus Land Act (25% of units affordable to lower-income households). For these reasons, staff recommends setting aside $5M in a combination of RDA, CLF, and Housing Set-Aside funds for acquisition and development on City-owned parcels. Staff is also researching ways to leverage City funds for a project of this size, such as through the Prohousing Incentive Program or possibly through federal funding sources.

3. ***ADU Loan Program***

Housing Element Policy H 5.1.3 – Explore Potential to Create an ADU Loan Program commits the City to explore the potential for a city ADU loan program, or, if not feasible, to work with the 21 Elements Planning Collaborative to design a regional loan forgiveness program. Staff has been participating in the ADU Implementation Group led by the ADU Resource Center of San Mateo County, which has developed an ADU loan program concept. The program aims to support homeowners in building an ADU on their property by lowering the financial and technical barriers to ADU construction.

The program would provide low-interest loans to low- to moderate-income homeowners (<120% AMI) seeking to build an ADU. To be effective, it is anticipated that a loan of $100,000 would be provided to each approved homeowner seeking to construct an ADU, plus $10,000 in technical assistance. If one loan per year is provided to a San Mateo homeowner, this would be a commitment of up to $550,000 over five years. The ADU Resource Center would manage the administration, with HEART of San Mateo County overseeing loan origination and monitoring and participating jurisdictions sharing the administrative cost of about $80,000 annually. Assuming that at least three jurisdictions participate, San Mateo's share would cost approximately $26,000 annually (approximately $130,000 over five years). Thus, the total cost of this program would be up to $680,000 over five years. It is anticipated that interested jurisdictions will execute an MOU with HEART in the fall, with program launch targeted for summer 2027. A potential partial source of funding for this program is Housing Set-Aside or RDA. Staff are researching whether PLHA may be used for this purpose.

PRESERVATION - $2M total

1. ***Preservation of Affordable Housing with Expiring Restrictions***

Housing Element Policy H 2.2 requires the City to try to preserve units with an expiring affordability restriction. At Bridgepointe Condominiums, the affordability restrictions for 59 affordable units (24 of which are very low-income units) are set to expire in December 2027. The Belmont Building includes six very low-income units, for which the restriction expires in 2032.

This summer, City staff met with the Bridgepointe ownership team to discuss future plans for the complex and to begin preliminary negotiations to extend the units' affordability restrictions. As of the date of this report, the

ownership is undecided about plans for the building but did inquire about potential City funding to support interior renovations on the units in exchange for extending the affordability restrictions.

Staff recommends setting aside Housing funds from the City Housing Fund or RDA for the Bridgepointe Condominiums and the Belmont Building, the two developments with expiring affordability restrictions during and immediately following this Housing Element cycle. If the City and the ownership of these two developments can reach an agreement to extend the affordability terms in exchange for a City loan, staff would return to City Council with loan terms and an appropriation recommendation. A preliminary estimate for Bridgepointe is $1.5M. Since the Belmont Building restrictions do not expire until 2032, staff does not yet have an estimate for this preservation effort, and will return to Council for direction at a future date when more information is available.

2. ***Preservation Support for Below Market-Rate Homeowners***

The City's primary form of homeowner assistance is through repair and rehab programs that allow lower-income homeowners to remain in their homes. The City partners with Rebuilding Together Peninsula for two CDBG-funded home repair programs, Safe and Home and National Rebuilding Day, and the CalHome Home Rehab Loan program. Many grant and loan recipients are single-family homeowners, though condominium homeowners have also received assistance for interior improvements like accessibility and safety upgrades to kitchens and bathrooms.

There is not currently a source of funding to assist lower-income condominium homeowners in communities in need of common area or exterior maintenance and repair. With Senate Bill 326 (SB 326, sometimes referred to as the "balcony bill") taking effect and HOAs being held responsible for inspecting and repairing exterior elevated structures such as balconies, along with increased scrutiny from lenders, HOAs have struggled to build sufficient reserves for repairs. High HOA dues that exceed a BMR homeowner's ability to pay is a common occurrence, as the City has seen with one of its First-Time Homebuyer complexes, Gateway Commons (211 and 221 S. Fremont St).

To address this issue, the City could develop a loan or grant program for BMR homeowners to assist with HOA dues or assessments. Staff is seeking City Council direction on whether to research and propose a program targeting BMR homeowners. If the City Council wishes to pursue this program, staff recommends setting aside $500,000 for five years using the most flexible Housing funding sources, such as City Housing Fund or Housing Set-Aside.

PROTECTION - $1.625M total

1. ***Homelessness Prevention/Housing Stability - Emergency Rental Assistance Program***

The City began strategically using RDA funds for homelessness prevention and response in FY25-26 by budgeting for the Police Department Homeless Outreach Team (HOT) and creating the Emergency Rental Assistance Program (ERAP). The ERAP was established as an anti-displacement policy in response to the fact that most evictions in San Mateo County are due to nonpayment of rent. This program, administered by Samaritan House, expended all funds for FY 24-25 ($168,000), and City Council directed staff to increase the budget to $220,000 for FY 26-27. Staff is seeking direction to maintain this funding level in future years. Staff will continue to work closely with Samaritan House to monitor program effectiveness and provide annual report-backs on utilization of the fund and any patterns that emerge from the data collected. The first-year annual report on the Program will be published this fall. Staff is seeking confirmation from Council to plan for this program being funded over the coming five-year period.

2. ***Homelessness Prevention/Housing Stability - Legal Services***

As noted above, the City has received significant feedback on the need for legal services from its community outreach on anti-displacement, including during the August 19th Community Relations Commission meeting. Staff has found that apparent underfunding of "upstream," or preventative housing services such as tenant legal education and access to legal services is a countywide issue and that neighboring jurisdictions are similarly considering how to address the apparent gap in these services.

In preparation for this meeting, staff met with City-funded organizations Project Sentinel and Legal Aid for input on

how funding trends in recent years have affected their ability to provide these services, and how additional funding from San Mateo and other jurisdictions throughout the County could be used to serve more lower-income tenants in San Mateo. Overall, both providers indicated that staff capacity has decreased in recent years, and that an additional staff member, such as one additional full-time attorney or one full-time case manager, would improve service levels.

For TOC Policy compliance, MTC allows for policies to be combined into one to meet the funding threshold ($300,000 over four years). Within the *Protection* category, the City meets the programmatic and dollar threshold for the *Rental Assistance Program* policy. By combining two existing programs that qualify as *Legal Assistance* and *Fair Housing Enforcement* at their current funding levels, the City still falls short of the minimum funding threshold by approximately $65,000 annually.

Given these findings and the parameters of the MTC TOC Policy, staff recommends increasing legal services funding by $75,000 annually for the next four years ($300,000 total). Legal services are not an eligible use of funds under PLHA or other available state programs, so staff recommends using the Housing Set-Aside Fund, which is flexible funding source and would allow for spending on this type of activity for the first year. Staff will assess if other funding sources could be used for this activity in coming years and will continue to seek outside sources to leverage this funding.

Staff also recommends working with other jurisdictions in San Mateo County, including the County itself, to explore a multijurisdictional, combined fund for legal services. This model is in use in other counties in California and could be a more efficient means of increasing legal services access in the County than funding separate programs in individual cities.

3. ***Homelessness Response- SMPD Homeless Outreach Team***
   The Housing Division has utilized RDA funds to support the Police Department's Homeless Outreach Team (HOT) since FY 25-26. Identifying this new source has allowed the City to reduce its reliance on the General Fund while sustaining funding for two permanent members of the HOT. HOT is a highly successful model for homelessness response, and incorporating the team into the Housing Division budget has strengthened collaboration between the Police Department and Housing staff in serving the community. Staff recommends continuing to use the annual $500,000 RDA set-aside for homelessness prevention and response to support HOT and is seeking City Council direction on whether to maintain or increase HOT funding levels in subsequent fiscal years. HOT is currently funded at $250,000 annually, and the estimated total expenditures under Protection assume that funding level remains constant over the five-year planning period.

<u>City Council Questions</u>

Given the above recommendations, staff is seeking direction from the City Council on the following questions:

1. Does the City Council support applying for the Prohousing Designation Program?
2. Does the City Council support pursuing full compliance with the MTC TOC Policy?
3. Does the City Council support setting aside approximately $10.68M for Production, $2M for Preservation, and $1.625M for Protection to support the activities described in this report?

<u>Next Steps</u>

Staff will implement City Council direction on each of the above areas, many of which will take the form of future City Council items. Specifically, if directed, staff would take the following steps:

- Continue to pursue full compliance with the MTC TOC Policy affordable housing policies, with the target to take all necessary actions and submit documentation to MTC by July 2027.
- Apply for the Prohousing Designation, which requires an extensive public input process, including a 30-day public comment period for review of the full application prior to submittal to HCD. Staff has developed a preliminary schedule for this application that includes initial consultation with HCD, review by the Planning Commission and Community Relations Commission of the draft application during the public comment period and bringing the application back to City Council for adoption later this fall.

- Launch Five-Year Plan process for PLHA. Staff anticipates holding a study session with the Community Relations Commission to kick off the Five-Year Plan process and then returning to City Council for further action this fall.
- Return with appropriation resolution for an over-the-counter Housing Fund program. Staff anticipates returning to City Council at the next meeting with the outline of this program and an appropriation resolution in time to submit for the Prohousing Designation, should City Council direct staff to apply.
- Return in the fall with the draft Memorandum of Understanding (MOU) with the ADU Resource Center for the creation of the Affordable ADU Loan Program, which will include the parameters of the program, responsibilities of the City and other parties, and funding amounts, for City Council approval. Please note that this MOU is non-binding—there is no requirement for the City to make any financial contribution-- and would be followed by a formal funding agreement.
- Return with an appropriation resolution for an acquisition/development fund and a preservation fund .
- Return with an appropriation resolution and, if applicable, program parameters for any other new programs cited above (e.g., BMR Homeowner Preservation Support, Legal Services Fund), if the City Council directs staff accordingly.

BUDGET IMPACT:
This is a study session and no formal actions are being taken by the City Council, so there is no impact to the General Fund.

ENVIRONMENTAL DETERMINATION:
This study session 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. Information about this meeting was provided via multiple City communications channels. A public notice announcing this meeting was published on the San Mateo Daily Journal on August 14, 2026. The meeting was also announced on City of San Mateo's eNews and the City's News and Announcements page located on the homepage of the City's website. Social media (Facebook and Instagram) were utilized to invite residents to the September 8 City Council Study Session. Notices were sent out through the City's Housing Policies & Programs email list and the Community Relations Commission email list.

STRATEGIC PLAN ALIGNMENT:
This housing fund study session supports implementation of the City's Housing initiative.

ATTACHMENTS
Att 1 – Housing Division (Non-Personnel) Expenditures in FY 25-26
Att 2 – Housing Fund Summaries

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https://www.smdailyjournal.com/news/local/san-mateo-moves-ahead-with-five-year-housing-fund-plan-to-fund-low-interest-loan/article_ef2b4ad0-cb45-448b-bc6b-31af19ac0003.html

FEATURED

San Mateo moves ahead with five-year housing fund plan to fund low-interest loan program, preserve affordability requirements

By Alyse DiNapoli, Daily Journal staff
Sep 14, 2026



MORE INFORMATION



San Mateo is moving forward with a five-year plan on how to spend its roughly $14 million housing fund, with plans to launch a low-interest loan program, preserve existing affordable units at Bridgepointe Condominiums and expa financing options for developers, among others.

Apartment building acquired for educator workforce housing: Housing Endowment and Regional Trust of San Mateo County, County Office of Education purchase existing apartment building in 1st-of-its-kind workforce housing program

Housing construction throughout the region, for market rate and affordable units, has dramatically slowed in the last couple years, as inflationary pressures continue raising costs and lending conditions tighten. But cities still face ambitious housing requirements from the state. In San Mateo, the city must plan for more than 7,000 units between 2023-31, with about 3,975 units of those set aside as affordable housing.

While the city has seen a spike in the number of development applications, not as many have been fully completed. There have been about 392 affordable units completed between 2023-25 in San Mateo, according to annual housing progress report data.

One of the more significant parts of the proposal is a $5 million allocation for an ongoing loan program aimed at affordable housing developers — which would loosen up a currently rigid structure where funding is disbursed at fixed periods throughout the year.

The plan would also include an $75,000 annual increase in its allocation of legal assistance.

“We have heard through the tenant protections and anti-displacement outreach, through communications with legal services providers and feedback from the community, that there is a need for more legal services to prevent evictions and ultimately to prevent homelessness,” Housing Manager Rachel Horst said during the meeting.

Another $5 million from the existing fund would go to a city-owned property at 4142 S. El Camino Real and roughly $680,000 over five years for an accessory dwelling unit loan program. The latter program would offer five $100,000 loans annually — on top of $10,000 in technical assistance — to moderate-income homeowners who build ADUs and rent them at below-market-rates. The city would partner with HEART, The Housing Endowment and Regional Trust, on the program, which has also launched another low-interest program last year for mobile homeowners.

According to the proposal, $1.5 million would go toward preserving affordability requirements at Bridgepointe Condominiums, where restrictions on 59 units expire at the end of next year.

The city's recent emergency rental assistance level would be funded at its current $220,000 level. To address increasing costs of homeowner association dues, the city also recommended a $500,000 fund to assist below-market-rate condo owners.

"We've got to do everything we possibly can to help BMR homeowners stay and grow," Councilmember Lisa Diaz Nash said during the meeting.

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Alyse DiNapoli, Daily Journal staff
Daily Journal staff

Docusign Envelope ID: 44027142-96FE-8E31-83F7-B5670629F1C5

CITY OF SAN MATEO
RESOLUTION NO. 48 (2026)

MAKING FINDINGS PURSUANT TO HEALTH & SAFETY CODE SECTION 33433 AND APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT FOR A 71-UNIT RESIDENTIAL AFFORDABLE HOUSING BUILDING AND ONE OFFICE/RETAIL COMMERCIAL BUILDING LOCATED AT 445 SOUTH B STREET (APNS 034-179-010, 034-179-020, 034-179030, 034-179-040, 034-179-050, and 034-179-060)
(PA-2023-012, 445 SOUTH B STREET, "BESPOKE" MIXED USE 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 Talbot's Lot; and

WHEREAS, the City, the Commercial Developer, and the Residential Developer desire for the Development Team to construct a mixed-use development that incorporates the adjacent parcels on the block (which are partially owned or controlled by the Parties) 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 Applicant submitted a formal Planning Application (PA-2023-012) on February 24, 2023 with the Planning Division for a Disposition and Development Agreement, a Development Agreement, Site Plan and Architectural Review, Special Use Permit, and Site Development Planning Application associated with the Project in the City of San Mateo; and

WHEREAS, the City Council held two separate public study sessions, on May 15, 2023 and September 16, 2024, to review the proposed term sheets associated with the development agreements required for the proposed Project; and

WHEREAS, the Planning Commission held a public hearing for the Project on April 28, 2026, duly noticed, at which all public comments were considered, and by a vote of 5-0-0, recommended that the City Council adopt a Resolution to approve the Site Plan and Architectural Review, Special Use Permit, and Site Development Planning Application subject to the listed Findings for Approval and Conditions of Approval for Planning Application No. PA-2023-012 and adopting the Initial Study/Mitigated Negative Declaration and Mitigated Monitoring and Reporting Program for the Project; and

WHEREAS, per the terms of the Disposition and Development Agreement ("DDA"), the City will ground lease the Talbot's Lot to the Residential Developer; enter into a Lot Tie agreement and a Reciprocal Easement agreement with the Commercial Developer and any other fee owner of a portion of the Commercial Property to facilitate development of the Project across parcels under separate ownership; enter into other agreements with the Residential Developer and Commercial Developer associated with the development and ongoing operation

Docusign Envelope ID: 44027142-96FE-8E31-83F7-B5670629F1C5

and maintenance of the Project; and provide a loan of three million dollars ($3,000,000) for construction of the Residential Improvements; and

WHEREAS, in accordance with Health & Safety Code Section 33433, the City has prepared a Summary Report for the disposition of the Property, formerly held by the Redevelopment Agency of the City of San Mateo, which contains the project costs and revenues to the City from the proposed transaction and determines the reuse value of the property.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN MATEO, CALIFORNIA HEREBY FINDS AND RESOLVES THAT:

1. Pursuant to Health & Safety Code Section 33433 and the Summary Report attached hereto as Exhibit A, the City finds that:
   a. The lease of the Property will assist in providing housing for lower-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 lower-income housing and will assist in the elimination of blight.
   c. The consideration to be provided by the Residential 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 demonstrates that with these restrictions, the reuse value of the Property is less than zero.

2. The Disposition and Development (DDA) with AH Bespoke LP and DTSM Housing, LLC (attached herein as Exhibit B), which authorizes the execution of a Ground Lease, Lot Tie Agreement, Reciprocal Easement Agreement, Predevelopment Loan Agreement, and Permanent Loan Agreement is hereby approved.

3. The City Manager is authorized to execute the DDA in substantially the form attached. The City Manager is authorized to approve and execute future revisions to the DDA with the concurrence of the City Attorney, so long as the changes do not materially alter substantial rights and obligations of the City.

4. The City Manager is authorized to negotiate and execute a shared parking agreement consistent with the terms of the DDA, subject to the approval of the City Attorney.

5. The City hereby grants and accepts the reciprocal easements depicted in the form of Reciprocal Easement Agreement attached as Exhibit G to the DDA, and such grant and acceptance of easement is to be effective upon execution of the Reciprocal Easement Agreement.

6. The City Manager is authorized to approve and execute any other documents required by the City implementing the provisions in the DDA, subject to the approval of the City Attorney.

Docusign Envelope ID: 44027142-96FE-8E31-83F7-B5670629F1C5

RESOLUTION NO. 48 (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

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Agenda Report

Agenda Number: 19 Section Name: {{section.name}} File ID: {{item.tracking_number}}

TO: City Council

FROM: Drew Corbett, City Manager

PREPARED BY: City Manager's Office

MEETING DATE: July 19, 2021

SUBJECT:
Downtown Surplus Properties – Selection of Development Team

RECOMMENDATION:
Direct staff to negotiate an Exclusive Negotiating Agreement with the Prometheus/Harvest Properties/Alta Housing development team to explore the development of affordable housing on the City-owned parking lot located at East 4th Avenue and South Railroad Avenue (Talbot's parking lot) and reject the other proposals submitted for the East 4th Avenue and South Railroad Avenue and for the 308 East 5th Avenue (Ravioli parking lot) sites.

BACKGROUND:
The City received inquiries from real estate developers interested in developing two surface parking lots Downtown including the 57-space Talbot's lot directly behind the former Talbot's store accessed at E. 4th Avenue and S. Railroad Avenue and the 40-space Ravioli House lot off of B Street between 5th and 6th Avenues. In order to explore future redevelopment opportunities on these sites, the City has to comply with the State's Surplus Lands Act and first entertain proposals for affordable housing development on the properties before considering any other possible use.

City Council approved a resolution declaring the properties as "Surplus Land" at the January 4, 2021 City Council meeting. On January 7, 2021, staff released a Notice of Surplus Lands Availability to all housing developers that have registered with the State Department of Housing and Community Development (HCD). The Notice required interested parties to submit a letter of interest to develop affordable housing by March 8, 2021. The City received 4 proposals in response to this letter from the following development teams:

- Prometheus/Harvest Properties/Alta Housing (Talbots lot site)
- MidPen Housing (Talbots lot site)
- Mercy Housing (Talbots lot site)
- West Development Ventures (both the Talbots and Ravioli lot sites)

The City Council reviewed the proposals during a Closed Session discussion on April 19, 2021. At the meeting, the Council directed staff to reject the proposal from West Development Ventures for developing the Talbot's and Ravioli sites jointly since the proposal was for only 17 units across both properties, which is well below what would be considered the highest and best use of the sites. The City Council directed staff to put plans for the redevelopment of the Ravioli site on hold until it could be evaluated for rezoning, potentially as part of the General Plan process. Council directed staff to continue negotiations with the 3 remaining submitters for the Talbot's site. The Council requested that the submitters revise their initial proposals to respond to the following parameters and Council questions:

1) Develop an 100% affordable housing project featuring a range of unit sizes from studios up to 3-bedrooms. Project should accommodate a mix of incomes and age ranges.
2) Maximize the number of units that can be accommodated on the site by building a 7-story project.

3) Provide a ground floor space of approximately 5,000 square feet that can be used by the non-profit Self-Help for the Elderly. It can be assumed that they can contribute some amount to rent, but not likely a market rent, such as would be charged to a retailer. They will also provide some funding for their own tenant improvements.
4) The City will contribute the land for the project in the form of a long-term ground lease.
5) Specify the expected ask of financial assistance for the affordable housing from the City. It is expected that the development team will minimize the City's financial assistance to the best possible extent by applying for multiple outside sources of financing.
6) Indicate if the development team would consider trying to acquire the parcels immediately fronting the Talbot's parking lot along B Street for a larger development site.
7) Indicate if the development team would consider entering into a Project Labor Agreement for this project.

All three of the remaining submitters revised their proposals to accommodate these proposed project changes. A matrix comparing the details of the revised submittals is included as Attachment 1 to this report. Copies of the revised submissions as well as the original submission for each proposer are included as Attachments 2 through 5 of this report.

Evaluation of Proposals

As a result of the parameters provided, the 3 submissions are similar in content. All are for 100% affordable housing projects providing a mix of unit sizes and serving a variety of household types. Additionally, all of the development teams were willing to provide space for the non-profit Self Help for the Elderly on the ground floor of the building. At the June 21, 2021 Closed Session discussion, the City Council gave direction to staff on the key inputs to determine which team to select for exclusive negotiations for the Talbot's parking lot site.

Although there are variations in the numbers of units proposed, each team did a very preliminary analysis of the development potential of the site for the purpose of the proposal. Staff believes that once more detailed architectural analysis has been completed and all applicable City zoning and design standards are applied, including required site set-backs, that the numbers of units are likely to change and would be similar across all proposals. In addition, although the 3 projects varied in the amount of additional affordable housing assistance they estimated they would need from the City, they will be accessing the same competitive outside financing sources and that the amount of City funding needed would be end up being similar for all of the proposals.

A critical factor that staff evaluated was the willingness and/or ability of the development teams to acquire adjacent properties. The Talbot's parking lot is a small constrained site and is adjacent to parcels containing one-story retail buildings. If redeveloped into a 7-story building, as proposed, the transition in height between the development and the adjacent buildings would be hard to mitigate. The Prometheus/Harvest Properties/Alta Housing development team is already in contract for the former Talbot's Toy Store property and has initiated efforts to acquire the other two properties on the block. The inclusion of additional parcels may result in the ability to provide more affordable housing units on the site as well as providing more parking spaces, which will offset the loss of redeveloping the public parking lot.

Another important factor for consideration was the affordability target of each of the proposals. Two of the three proposals include units targeting households up to 80% of Area Median Income (AMI) whereas the MidPen Housing proposal capped out at 60% AMI. The Council indicated an interest in serving as broad a range of incomes as possible, including those approaching middle-income. In order to qualify for affordable housing financing, all of the projects would be required to achieve the same average level of affordability so the higher income units will be balanced by the provision of more very-low income units, which will achieve the same depth of affordability but serve a wider-range of income levels.

Selection of Development Team

Based on the evaluation of the revised proposals, staff recommends that the City Council direct staff to negotiate an Exclusive Negotiating Agreement (ENA) with the Prometheus/Harvest Properties/Alta Housing team to explore the redevelopment of the Talbot's parking lot site in conjunction with other properties on the same block. Staff recommends that the City reject the remaining proposals for the Talbot's parking lot site. The ENA would commit the City to not explore other development opportunities for the property during the time that the development team is pursuing project

entitlements and negotiating the deal terms for a future Disposition and Development Agreement. The ENA would also commit the development team to a schedule of performance to ensure they are doing their due diligence and acting in a timely manner to move towards the redevelopment of the site. Staff plans to bring back the ENA for City Council approval in September.

BUDGET IMPACT:
The future disposition of the Talbot's Parking lot site will not result in any revenue for the City since the land will be contributed to support the development of affordable housing on the site. In addition, commitment of other City affordable housing funds of approximately $2 million is anticipated to support the financing of the project.

ENVIRONMENTAL DETERMINATION:
This action is not a project subject to CEQA, because negotiating an Exclusive Negotiating Agreement to explore the terms for the potential disposition of property is not a project which may result in a potentially significant physical impact on the environment. (Public Resources Code Section 21065.) A future Disposition and Development Agreement for development on the property will be subject to CEQA.

NOTICE PROVIDED
All meeting noticing requirements were met.

ATTACHMENTS
Att 1 – Submittal Comparison Matrix
Att 2 – Prometheus, Harvest Properties, Alta Housing Proposal
Att 3 – MidPen Housing Proposal
Att 4 – Mercy Housing Proposal
Att 5 – West Development Ventures Proposal
Att 6 – Public Comment

STAFF CONTACT
Kathy Kleinbaum, Assistant City Manager
kkleinbaum@cityofsanmateo.org
(650) 522-7153

Surplus Lands Act Submittals May 2021 - Talbot's Parking Lot Site

Development Team	Total Affordable Units	Unit Types	Affordability Level	On-site parking for housing	Space for Self-Help for the Elderly?	Other City affordable housing funds needed	Proposed Building Height	Willing to explore acquiring adjacent properties?	Willing to enter into a PLA?	Other notes
Prometheus/Harvest Properties/Alta	52-54	23% studio, 21% one bedroom, 27% two bedroom, 29% three bedroom	30-80% AMI	37 spaces	5,000 sf	$2.0 million	7 story	Yes	Yes	Project to be built in conjunction with 118,760 sqft commercial project on adjacent lot Talbot's toy store. Commercial project will provide 53 additional parking spaces.
MidPen Housing	56-78	Different options: 15%-32% studio, 11%-26% one bedroom, 29% two bedroom, 29% 3 bedroom	30-60% AMI	14-20 spaces	3,800 to 5,000 sf	$0 to $4.4 million	7 or 8 story options	No	Preference against PLA	Provided multiple scenarios for consideration depending on setbacks and building height
Mercy Housing	69	17% studio, 32% one bedroom, 26% two bedroom, 25% three bedroom	30-80% AMI	27-33 spaces (using mechanical parking stackers)	3,000 to 4,300 sf	$3.0 million	7 story	Yes	Yes	
West Development Partners	8	Not specified	60-80% AMI	Will provide parking but amount not specified.	No	None	3 stories	N/A	N/A	Stated interest in developing both Talbots and Ravioli sites, maximum of 17 units on both sites. Submittal as received in March 2021.

CITY OF SAN MATEO
OFFICE OF THE CITY MANAGER

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July 27, 2021

Deputy Director
California Department of Housing and Community Development
Division of Housing Policy Development
2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833

RE: City of San Mateo Surplus Land Post-Negotiation and Proposed Disposition Summary

To whom it may concern:

Pursuant to Government Code Section 54220, the City of San Mateo adopted a resolution declaring two surface parking lot properties as Surplus Property on January 4, 2021. The two properties included the parking lot located at E. 4th Avenue and Railroad and the parking lot at 308 E. 5th Avenue. On January 7, 2021, staff released a Notice of Surplus Lands Availability by mail and email to all housing developers that were registered with the State Department of Housing and Community Development (HCD). The Notice required interested parties to submit a letter of interest to develop affordable housing by March 8, 2021. The City received 4 proposals in response to this letter from the following development teams:

- Prometheus/Harvest Properties/Alta Housing (E. 4th Ave. and Railroad Ave. site)
- MidPen Housing (E. 4th Ave. and Railroad Ave. site)
- Mercy Housing (E. 4th Ave. and Railroad Ave. site)
- West Development Ventures (both the (E. 4th Ave. and Railroad Ave. and the 308 E. 5th Ave. sites)

<u>Rejection 308 E. 5th Avenue Proposal</u>
The City received only one proposal for this site from West Development Ventures who proposed to develop the property jointly with the E. 4th Avenue and Railroad Avenue property. The proposal was for a total of 17 units across both sites. This proposal is well below the permitted density on these City sites. In addition, when questioned, the proposer stated a strong preference to move forward only if allotted both sites. The City received multiple submissions for the E. 4th Avenue and Railroad Avenue site that exceeded the unit count that West Development Ventures proposed to develop across both sites. As a result, the City decided to reject their proposal at the end of the 90-day negotiation period. The City plans to retain the 308 E. 5th Avenue site and intends to re-evaluate the zoning of the site to encourage future housing development as part of the City's ongoing General Plan Update.

<u>Selection of Developer for E. 4th and Railroad Avenue</u>
In addition, to the submittal from West Development Ventures, the City received 3 proposals that were exclusively for the E. 4th Avenue and Railroad site. All three proposals were for 100% affordable housing projects serving a mix of incomes up to 80% of Area Median Income. The City elected to negotiate with all 3 development teams during the 90-day negotiation period. All proposers included experienced Bay Area non-profit housing developers on their teams.

After an initial review of the submissions, the City provided the same negotiating parameters for consideration to all 3 of the teams, including donation of City land, and preference for family units rather than senior, based on a City identified need for larger units. All 3 development teams revised their initial proposals in response to the City's

parameters. All of the revised proposals were for 100% affordable housing projects that require the use of a State Density bonus to exceed the City's height and density limits per the City's adopted zoning.

The site is small, only one quarter of an acre and is surrounded by one-story retail buildings. In addition, the existing surface parking lot on the site provides access to private parking areas for two of the three surrounding parcels. Since the mutual goal of the developers and the City is to maximize the number of units and given the site constraints, staff assumed that all of the developers would end up with the same number of units once the design was vetted through the design review process and the neighboring access issue is resolved. Therefore, the proposed number of units from each developer varied and was considered preliminary.

The City Council gave direction to select the Prometheus/Harvest Properties/Alta Housing development team for exclusive negotiations for the property. The primary reasons that they were selected is that they are already under contract for one of the three adjacent properties on the block and are in negotiations to acquire the other remaining two parcels. In addition, the financial terms of the proposal are more favorable to the City since the proposal requested the smallest overall subsidy request of the City, in addition to the contribution of the land, to finance the affordable housing units. The selected proposal serves a broad range of income levels up to 80% of AMI, while still achieving the deepest average level of affordability (43% of AMI) of any of the other proposals.

The Prometheus/Harvest Properties/Alta Housing proposal's ability to include adjacent parcels is of critical importance to the City. It will allow for an expanded development that may ultimately include additional affordable housing units above and beyond what is in their current proposal (which was limited to the parcels already under their control). Additionally, the inclusion of adjacent parcels will resolve key site development challenges that may limit or reduce the feasibility of development of the property. The first of these challenges are the adjacent private properties that currently require access through the City parking lot site. The second challenge is that the existing properties surrounding the site are all one-story and the City's zoning code requires significant step-backs for adjacent buildings to mitigate the height differentials, which could severely reduce the number of units that can be accommodated on the site if the surrounding parcels are not included in the development.

Attached to this letter is the required Disposition Description Template for each project as well as the required documentation requested in that template. Please reach out by phone or email with any questions about the proposed disposition of the properties.

Sincerely,

Kathy Kleinbaum
Assistant City Manager
kkleinbaum@cityofsanmateo.org
(650) 522-7153

Attachments:

1. Disposition Description Template for E. 5th Avenue and B Street site
2. Disposition Description Template for E. 4th Avenue and Railroad Site
3. Resolution from Governing Board Declaring Properties to be Surplus
4. Email issuance of Notice of Availability
5. List of entities notified
6. Notice of Availability
7. Response to the Notice of Availability (and subsequent negotiations) – Prometheus/Harvest Properties/Alta Housing
8. Response to the Notice of Availability (and subsequent negotiations) – MidPen Housing
9. Response to the Notice of Availability (and subsequent negotiations) – Mercy Housing
10. Response to the Notice of Availability (and subsequent negotiations) – West Development Ventures

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Agenda Report

Agenda Number: {{item.number}} Section Name: {{section.name}} File ID: {{item.tracking_number}}

TO: City Council

FROM: Drew Corbett, City Manager

PREPARED BY: City Manager's Office

MEETING DATE: August 17, 2020

SUBJECT:
City-Owned Downtown Affordable Housing and Parking Garage Site – Project Entitlements and Disposition, Development, and Loan Agreement

RECOMMENDATION:
Review the project entitlements and the land disposition and financial terms for the development of 225 units of low-income housing and a public parking garage on the City-Owned Downtown properties at 480 East 4th Avenue and 400 East 5th Avenue by MidPen Housing and adopt a Resolution to approve: 1) the Initial Study/Mitigated Negative Declaration as adequate to assess the environmental impacts of the project; 2) two 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 a 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; a Special Use Permit to allow the parking garage use in the Central Business District Support zoning district; and the Conditions of Approval; and 3) the Disposition, Development, and Loan Agreement between the City of San Mateo and MP Downtown Associates L.P., including a form ground lease, license agreement, and easement.

BACKGROUND:
The City-Owned Downtown Affordable Housing and Parking Garage Site (PA 2019-033) consist of the two City-owned surface parking lots in downtown San Mateo, 480 E. 4th Avenue and 400 E. 5th Avenue, which were originally purchased by the City of San Mateo Redevelopment Agency and were subsequently transferred to the City through the redevelopment dissolution process. Both parcels are currently used as surface public parking lots and the 5th Avenue parcel also houses the Worker's Resource Center, which will be relocated off-site as a result of this proposed project. Through an RFP process, the City Council selected MidPen Housing (MidPen) as the preferred developer for these sites in April 2018, for the development of an 100% affordable housing project and a public parking garage.

The project has evolved significantly since the initial RFP submittal. In February 2020, the City Council gave direction for MidPen to utilize a new State Density Bonus provision (AB 1763), which allows for increased height and density for 100% affordable projects that are in close proximity to transit. As a result, the residential component of the project increased the unit count from 164 to 225 units and the building design went from five stories to seven stories. The development team restarted the community review process, including hosting a second community meeting and Planning Commission study session, and presenting at multiple neighborhood association meetings, to make sure that the community would have ample opportunity to review and comment on the revised design.

The Planning Commission reviewed the environmental review and planning entitlement application at its July 14, 2020, meeting and unanimously recommended approval of the project entitlements to the City Council. Staff and MidPen have completed negotiations of the deal terms for the project, which are represented in the Disposition, Development, and Loan Agreement (DDLA) and are summarized in this report.

PROJECT ENTITLEMENTS:

Project Description

The project is comprised of two buildings, each located on separate lots and connected by a pedestrian bridge that spans over E. 5th Avenue. The proposed seven-story, 234,350 square-foot (sq. ft.) residential building measures 74 feet, 5 inches to the top of its highest plate line. A total of 225 affordable rental units are proposed including approximately: 65 studio, 48 one-bedroom, 53 two-bedroom, and 59 three-bedroom units.

The residential project includes a publicly accessible plaza at the corner of 4th and Railroad Avenues and provides residents several onsite amenities including a large landscaped ground-floor courtyard, dedicated bike storage, a roof deck on the seventh-floor, a learning center for afterschool programs for school-aged project residents, a fitness center, and more than 21,000 sq. ft. of common open space. The ground-floor courtyard includes a nature-based play area and a shared barbecue area for residents, as well as open green space.

The proposed five-story, 210,509 sq. ft. parking garage measures 46-feet to the top of its highest plate. The above-grade garage includes 164 residential parking stalls and approximately 532 public parking stalls to replace the existing 235 public parking spaces on the two lots. The public parking garage will feature public art on its façade facing 5th Avenue. Project Plans are provided in Attachment 2.

Applicable Code and Policy Review

General Plan

The General Plan Land Use Diagram designates the two subject parcels as Downtown Retail Core Support, which is intended to provide uses to support the City's Central Business District. The proposed project is consistent with the Land Use Diagram in that the residential uses provide a customer base for businesses and the public parking garage provides parking for customers, employees and visitors to the downtown.

A General Plan Conformance Transportation Analysis dated June 5, 2020, was conducted by Hexagon Transportation Consultants to identify any potential transportation issues related to the project and to review the proposed site access and circulation, including an evaluation of 26 local intersection operations. The analysis considered several different traffic conditions scenarios to evaluate potential project-generated intersection delays based on the City's General Plan criteria.

The analysis concluded under *background plus project conditions* (i.e. existing peak hour volumes plus projected trips from approved but not yet completed projects plus project-generated trips) the project would generate substantial increases in intersection delays during PM peak hours at five intersections: El Camino and 3rd/4th/5th Avenues, Delaware Street and 5th Avenue, and Humboldt Street and 3rd Street. Additionally, under *cumulative conditions*, the project would generate substantial increases in delays at one intersection (Delaware Street and 5th Avenue) during AM and PM peak hours. Cumulative conditions represent future traffic volumes based on the anticipated AM and PM peak hour traffic volumes forecasted in the travel demand model of the City's 2030 General Plan.

Hexagon recommended the following physical improvements near the project site to eliminate all project-generated substantial increases in delays at the noted intersections:

- Removal of on-street parking spaces along eastbound 5th Avenue (east of the garage driveway to Delaware Street);
- Restriping eastbound 5th Avenue with two through lanes (east of the garage driveway to Delaware Street); and
- Signal retiming at the 5th Avenue and Delaware Street intersection

The project has incorporated the recommended physical improvements into the current design to resolve intersection delays and queuing issues on eastbound 5th Avenue near the project site and to be consistent with the General Plan. The General Plan Conformance Transportation Analysis is included in Attachment 3 and a letter responding to the public comment on this analysis is included as Attachment 8.

At the Planning Commission meeting, the Commission requested a revision to the Conditions of Approval related to the physical improvements near the project site to include high-visibility crosswalks at the intersection of 5th and Claremont due to the recent pedestrian-injury accident at that location. This has been added to the Conditions of Approval, which are included in the proposed resolution as Attachment 1 – Exhibit 3. Please note, condition #59 (B) as referenced at the Planning Commission meeting is now shown as #53 (B).

Conformance to Other Relevant Plans

Staff has reviewed all other relevant plans that pertain to this project including the Downtown Area Plan, the Pedestrian Master Plan, the Bicycle Master Plan, and the Downtown Parking Management Plan. Staff has determined that the proposed project conforms and supports the goals and policies of these plans.

Zoning Code

The zoning designation for the two subject sites is Central Business District Support (CBD/S). The CBD/S defers to the permitted uses specified for the CBD zoning district, which includes multi-family dwellings when part of a mixed-use development. The proposed project is a permitted mixed-use development comprised of a multi-family residential development and a City-owned public parking facility located within the Central Parking Improvement District.

The allowable floor area ratio (FAR) for this district is 3.00 and the building plate height maximum is 55 feet as specified by the underlying zoning district and consistent with the Building Height Plan of the General Plan. The seven-story residential building on the 480 E. 4th Avenue parcel proposes a 4.63 FAR, while the parking garage located on the 400 E. 5th Avenue parcel proposes a 3.86 FAR. A zoning plot can consist of more than one parcel on which a common improvement is permitted. As such, the proposed FAR for the overall project is 4.24. The increase in the FAR and height above the maximum are being requested as an incentive via the State Density Bonus Law and the City of San Mateo's Density Bonus ordinance. Applicable zoning code requirements and technical project figures are provided in the Factual Data Sheet included in Attachment 4.

The project is compliant with all applicable Zoning Code requirements but does propose six deviations from development standards for which the project team will seek relief by utilizing four available concessions consistent with the provisions of State Density Bonus Law in addition to waivers that would be provided via the City of San Mateo's Density Bonus ordinance as discussed below.

Density Bonus

The proposed project utilizes the provisions of State Density Bonus and Other Incentives Law – State Government Code Section 65915. AB 1763 recently amended the State Density Bonus Law to provide housing developments that are 100 percent affordable and within a half-mile of a major transit stop unlimited density, an increase of building height up to three additional stories or up to 33 feet, and up to four incentives or concessions as defined by Government Code Section 65915. The project satisfies the noted qualifying criteria of AB 1763 and is requesting to utilize the four permitted concessions on the following project design elements:

1. *Floor Area Ratio.* As previously noted, the CBD/S zoning district prescribes a maximum FAR of 3.0. To build the residential building to the density permitted under AB 1763 and the required number of stalls in the parking garage, the project will need an increased FAR of 4.24.

2. *Residential Parking on Separate Site.* The parking associated with the residential development is required to be on the same parcel. However, placing the required parking onsite would physically preclude the project from building to the maximum density permitted under AB 1763, as approximately 34 affordable housing units would need to be eliminated to accommodate the required parking onsite.

3. *Compact Parking Spaces.* The City allows for new projects to provide up to 40 percent of required parking spaces to be compact parking. The proposed parking garage is located next to a railroad easement which limits the developable lot area. As such, the proposed project needs approximately 66 percent of the total spaces in the

garage to be compact parking stalls to be able to provide the required parking for the project and allow for efficient vehicle circulation in the garage.

4. *Open Space.* The residential development includes private open space on Level 1 (320 sf) and common open space on Levels 1, 5 and 7 (21,004 sq. ft.). Common open space includes a nature-based play area, a community gathering space, a public plaza and landscaping. Total open space provided is 21,323 sf; as such, it is approximately 5,197 sq. ft. short of meeting the common open space requirement.

Consistent with the State Density Bonus Law, the project team has demonstrated that compliance with the above requested concessions would result in identifiable and actual project cost reductions. Please see Density Bonus Letter included as Attachment 5.

On July 20, 2020, the City Council approved an Ordinance "Affordable Housing Projects Near Transit" that amends the City's Density Bonus provisions to allow for AB 1763 covered projects to request up to six (6) waivers or reductions from development standards subject to required findings. The ordinance takes effect August 19, 2020. Accordingly, the City Council's resolution approving the project will take effect on August 19, 2020, as well. The following two waivers are being requested for this project:

1. *Building Bulk.* Buildings located within the Downtown Specific Plan area which are greater than 55 feet in height cannot exceed 150 lineal feet horizontally or have a diagonal dimension greater than 170 lineal feet. Abiding by this bulk requirement would result in the loss of approximately 86 units reducing the total affordable unit count from 225 to 139.

2. *Street Wall Area.* The City's street wall area requirement establishes maximum building height along the street frontage. The requirement states that the maximum building height for the street wall is equal to the horizontal distance between the midpoint of the public right-of-way and the parcel boundary, or 36 feet, whichever is greater. Complying with the Street Wall Area requirement would mean that a portion of the proposed building could only be 36 feet tall, which would result in the loss of approximately 26 affordable housing units.

Parking

All of the parking for the project is located in the parking garage on the 400 E. 5th Avenue site. The residential project is utilizing a prescribed maximum parking ratio of 0.5 space per unit as specified in the State Density Bonus Law for 100 percent affordable housing projects within a half-mile of major transit. Based on this parking ratio, the project would be required to only provide 113 parking spaces, however, the project is voluntarily providing 164 (0.7 spaces per unit) parking spaces for use of the residents of the development. The residential parking allocation will be based on unit type proportional to the total number of units. Application and marketing materials will emphasize limited residential parking availability. In addition, staff recommends making a portion of the public parking spaces in the parking garage available to residents through a shared parking agreement during weekday evenings and all-day on the weekends, when public parking demand is low.

The public parking component of the parking garage will have approximately 532 parking spaces. To allow for added flexibility at the building permit stage and to accommodate for any design challenges, a condition of approval has been included that allows the parking garage's total number of parking spaces to be reduced up to 15 percent subject to review and approval of the City Manager. This adjustment may be necessary to accommodate the necessary garage building systems or to reduce the percentage of compact spaces contained in the garage. The final garage parking layout may decrease the percentage of compact parking spaces but in no case will increase the percentage. Additionally, the final layout in no case will change the total amount of designated residential parking spaces.

Design Review

MidPen's design team has made several changes and refinements to the project's design in response to comments made by the community, Planning Commission and by the City's design review consultant, Larry Cannon, of Cannon Design

Group. In his design review letter dated June 15, 2020, Mr. Cannon acknowledged the design team's responsiveness to the Planning Commission's feedback. His concluding comments noted the chosen color palette, material selection and attention to detail will be successful and that he had no further recommendations. Mr. Cannon's latest Design Review letter is included as Attachment 6.

During the July 14, Planning Commission meeting, the Commission expressed a preference for a cornice design more robust in scale, detail, and dimensionality. In response, staff has included a proposed condition of approval (condition #24 – *Cornice Redesign*), which can be imposed by the City Council to allow the project design team to provide alternative cornice design options to be reviewed and approved by the Zoning Administrator. The proposed condition has been added to the Conditions of Approval, which are included in the proposed resolution as Attachment 1 – Exhibit 3.

Transportation Analysis

Hexagon Transportation Consultants conducted the CEQA Transportation Analysis. The proposed project was analyzed utilizing vehicle miles traveled (VMT) as the metric in evaluating transportation impacts for land use projects for CEQA purposes pursuant to SB 743, the CEQA 2019 Update Guidelines Section 15064.3 (b). The City of San Mateo, at the time of this report, is undertaking a process of updating its significance thresholds to be consistent with SB 743. In the absence of an adopted City policy with numeric thresholds, the study utilized the Governor's Office of Planning and Research (OPR) guidelines in analyzing VMT.

Based on OPR's recommended guidelines, the residential component of the project may be presumed to have less-than-significant impact on VMT due to its location within a half-mile of an existing major transit stop and is a 100 percent affordable residential development. Additionally, quantitative analysis was performed utilizing the Year 2020 Plan Bay Area model forecasts. The specific Transportation Analysis Zone (TAZ) where the project site is located (TAZ 257) is estimated to 13.03 average daily VMT per resident, which is 18.66 percent less comparatively than the County of San Mateo's average VMT per resident of 16.02, which exceeds the OPR recommended threshold for residential VMT development being 15 percent below existing regional VMT per capita average. As such, the proposed residential component of the project can be expected to generate less-than-significant VMT.

The parking garage proposes 696 total parking spaces comprised of 164 spaces reserved for the residential tenants; 235 spaces to replace the existing public surface parking lots and on-street parking being removed as a result of the project; and 297 spaces to serve the downtown public parking program. These 297 parking spaces are associated with the projects that paid in-lieu fees to satisfy the respective CPID-specific parking requirements for each development. The spaces are proposed to be designated as 10-hour parking spaces, which typically serve employees of downtown businesses. Based on OPR recommended guidelines, office projects may be presumed to have a less-than-significant impact on VMT when located within a half-mile of an existing major transit stop. The CEQA Transportation Analysis is included in the Initial Study/Mitigated Negative Declaration that is included as Attachment 1 - Exhibit 1 in Appendix I.

Sustainability Measures

MidPen has committed to develop the project as 100% all-electric, which means that no natural gas service will be provided to either building. The residential building will use a solar thermal hot water system and the parking structure will have solar panels sunshades on the upper deck that will serve a dual purpose of providing solar electricity and providing covered parking for the project residents. The parking garage will be built to meet the City's reach code mandates of 15% electric vehicle ready spaces with 5% of the total with installed electric vehicle charging equipment in the public parking area. Staff is working to identify grant opportunities to assist with the cost of purchasing and installing electric vehicle charging equipment.

DISPOSITION, DEVELOPMENT, AND LOAN AGREEMENT

The Disposition, Development, and Loan Agreement (DDLA) contains the provisions for the transfer of the properties as well as the provisions for the City's financial contribution to the project. The DDLA will be between the City and MP Downtown Associates, L.P., which is a limited liability corporation created by MidPen for the purpose of completing this project. The following a brief summary of the key terms from the DDLA which is included in the proposed resolution as Attachment 1 – Exhibit 4.

Property Disposition

The City-owned property at 480 E. 4th Avenue will be provided to MidPen though a ground lease with a term of 99 years at the rate of $1 per year for the duration of the term. The ground lease will include the air space over 5th Avenue where the pedestrian bridge connects the residential building to the garage. The City will maintain ownership of the parking garage property at 400 E. 5th Avenue but will enter into a license agreement with MidPen to allow for the construction of the garage, which will terminate upon completion of the garage. In addition, the City 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.

City Financial Contribution

The City will be providing construction financing in the form of no-interest loans to the project in the amount of $12.5 million. The source of the loans are as follows:

- Garage Loan - $5.0 million from the City's In-Lieu Parking Fund to assist with the cost of the Garage Improvements.
- Residential Loans- $7.5 million to support the construction of the Residential Improvements from the following sources:
    - $2.85 million from the Low-Moderate Income Housing Asset Fund
    - $4.0 million from the City's Commercial Linkage Fee Fund
    - $650,000 from the City's HOME funding program income

A portion of the Commercial Linkage Fee loan funds may be provided to this project through a funding agreement with HEART if the project is successful in obtaining Local Housing Trust Funds grant allocation.

The loan amounts are a not to exceed amount and may be reduced at the time of construction if the project financing plan indicates the full amount is not necessary to complete the project. In addition, at the time of closing, the City may increase the interest rate on the Residential Loans to as high as three percent (3%) if the project is still financially feasible with such interest rate increase. This would allow for the collection of residual receipts from the residential properties over time.

In addition to the direct financial contribution to the project, the City will be ground leasing the residential property to MidPen at a rate of $1 per year and will be waiving the planning application and building permit review fees for this project, estimated to be $1.8 million.

MidPen plans to leverage funding from other public agency sources to complete this project, including federal tax credit equity, County of San Mateo Housing Funds, State Transit Oriented Development and Infrastructure Grant Funding, and other sources.

Targeted Housing Population

The residential project has multiple set-asides for target populations and incomes, many of which are overlapping categories. Of the 225 residential units, two units will be manager units; 121 units will target extremely low to low-income households earning between 30% and 60% Area Median Income (AMI) for San Mateo County, and 102 units will target households that earn greater than 60% and at or less than 80% AMI. Based on the current AMI's in San Mateo County, the project will serve households with a range of incomes from $36,540 to $161,520.

A total of 80 of the 121 units for incomes between 30% to 60% AMI are funded using Project Based Vouchers provided by San Mateo County. As a condition of County funding for the project, 22 units will be reserved for homeless households and eight are being considered for reservation for individuals with developmental disabilities. On-site managers and case workers will help manage the unique needs of these populations.

Of the total units across all income categories, 57 units (25%) will be set aside with a preference for public employees, which includes employees of the City, County, State, local school districts, and other public agencies. Additionally, a preference will be provided to households that live or work in the City of San Mateo for all the units not funded by the Project Based Vouchers or otherwise set aside for homeless households, including the public employee preference units.

Implementation Timeline

Per the direction of City Council from the November 2019 study session, MidPen will be constructing the parking garage and the residential building simultaneously. Following the execution of the DDLA, MidPen will prepare the building permit design documents for this project. The project is estimated to start construction in September 2021. The Ground Lease and Garage License agreement will be executed just prior to the start of construction. The parking garage will take roughly one year to complete and will be ready for occupancy in Fall 2022. The residential building is estimated to be completed in late 2023. The DDLA includes a timeline for performance, which allows for some unanticipated delays, but will hold MidPen accountable for completing the project in a reasonable timeframe.

One downside of the simultaneous construction of both properties is that there will be roughly a 12 to 18-month period when parking availability in the Downtown is reduced. Staff is evaluating possible mitigations that could improve parking availability during this period if Council elects to move forward with this option. Mitigations include renting spaces in private parking lots during this period, implementing valet parking in some lots to increase capacity, and providing incentives to reduce driving to downtown. Given the current changes in parking demand due to COVID-19, staff will evaluate parking occupancy rates prior to implementing any mitigations.

Environmental Site Remediation

As part of their predevelopment work on this project, MidPen completed an environmental site assessment of both properties. The assessment identified some elevated contaminants in the soil on 480 East 4th Avenue site that remain from its prior uses and the associated underground storage tanks that were formerly on the site. No elevated contaminants have been identified on the 400 East 5th Avenue property. The Department of Toxic Substances Control (DTSC), a state environmental regulatory agency, will provide administrative oversight of the remediation work as part of this project, which will likely consist of off-hauling any contaminated soil for proper disposal and installing a vapor barrier underneath the residential building to prevent any vapor intrusion. In order to oversee the work, the DTSC is requesting that the City, as the owner of the property, enter into a Standard Agreement with them for the oversight of the site cleanup. The DDLA stipulates that although the City is the party to the agreement, MidPen will be responsible for executing the required remediation and covering all associated costs.

Reuse Appraisal

The City commissioned a Reuse Appraisal of the Properties in June 2020 in accordance with California Health and Safety Code Section 33433 to estimate the fair reuse value of the properties that are to be conveyed to MidPen. The reuse value is calculated based on the residual land value, which is the difference between the estimated development revenues and costs. This is used to determine the fair reuse value, or price, for the property disposition. The fair reuse value takes into consideration and covenants or requirements being placed on the property by the City (such as the affordability requirements and replacement parking provisions). This differs from the fair market value, which is the appraised value of the properties at their highest and best use. The Reuse Appraisal concluded that the reuse value of the properties is zero and that without the City's financial contribution to the project, the project would have a significant funding gap and the reuse value would be negative. The report also describes the total costs to the City for the development of the properties and how the development contributes to the elimination of blight. The Reuse Appraisal is included in the resolution as Attachment 1 - Exhibit 5.

Compensation Agreement with Taxing Entities

The two properties that make up this project were formerly owned by the San Mateo Redevelopment Agency. As part of the redevelopment dissolution process, the properties were transferred to the City of San Mateo through a Long Range Property Management Plan (LRPMP). The approved LRPMP states that the City will enter into a compensation agreement with the affected taxing entities prior to the City's disposition of the properties and provide for any net proceeds of sale to be distributed as property taxes to the affected taxing entities and that the purchase price to be paid for the properties will be not less than the fair reuse value of the properties.

As stated above, the Reuse Appraisal concluded that the fair reuse value of the properties is zero. Although there will be no land proceeds to distribute, the City will still need to enter into a compensation agreement with the 9 taxing entities of

the former Redevelopment Agency Project Area prior to the execution of the Ground Lease and Garage License Agreement. The taxing entities include the County, the school districts serving San Mateo, the Peninsula Health Care District, the Bay Area Air Quality Management District, the San Mateo County Mosquito and Vector Control District, and the Harbor District. Staff has initiated conversations with the taxing entities and will bring forward a compensation agreement for execution by the taxing entities and the City at a later date. If the taxing entities do not agree to enter into the compensation agreement, then the City cannot transfer the properties to MidPen and the project will not be able to proceed.

BUDGET IMPACT:
The project is a public-private partnership between the City of San Mateo and MidPen Housing Corporation. The Disposition, Development and Loan Agreement requires the City to make a financial contribution to the project of:

- $2.85 million from the Low-Moderate Income Housing Asset Fund;
- $4.0 million from the City's Commercial Linkage Fee Fund;
- $650,000 from the City's HOME funding program income; and
- $5 million of parking in-lieu funds for the construction of the net additional parking spaces.

The parking garage funds have already been committed via the Capital Improvement Program (CIP) to the Downtown Redevelopment Site Parking Garage project. The housing funds totally $7.5 million are budgeted in the Housing Land Purchase Project No. 310416. In addition, the City is waiving the planning application and building permit review fees for this project, estimated to be $1.8 million. The project is still subject to all applicable impact fees for residential development, which will cover the long-term operational impact to the City resulting from this project.

ENVIRONMENTAL DETERMINATION:
The project requires the preparation of an environmental impact assessment under the provisions of the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). An Initial Study/Mitigated Negative Declaration (IS/MND) has been prepared for the project, in accordance with CEQA regulations, which identifies and discusses the potential environmental impacts caused by the proposed project. The public review and comment period of the IS/MND occurred between May 26, 2020, and June 24, 2020. The IS/MND concluded the project would not have significant effects to the environment with the implementation of mitigation measures. The IS/MND, associated technical appendices, and supplemental project information is included in the proposed resolution as Attachment 1 - Exhibit 1. The IS/MND also served as the Environmental Assessment required by NEPA. The project's Mitigation Monitoring and Reporting Program (MMRP) is included as Attachment 7, which is in place to ensure compliance with the mitigation measures required by the IS/MND. The attached MMRP is an updated draft that includes a minor revision to the Hazards and Hazardous Materials section specifying the noted improvement (installation of vapor barriers and/or passive venting) is indicated on the project plans prior to approval (rather than issuance) of the Foundations and/or Superstructure building permit applications, whichever comes first.

NOTICE PROVIDED
In accordance with Government Code sections 65090, 65091, Health and Safety Code Section 33433, and the City's Municipal Code noticing requirements, this public hearing was noticed to the following parties more than ten days in advance of this City Council public hearing:

- Notice was published in the San Mateo Daily Journal on August 3, 2020 and August 10, 2020;
- Property owners, residential tenants and business tenants within 1,000 feet of the project site;
- The City's "900 List", which contains nearly 100 Homeowner Associations, Neighborhood Associations, local utilities, media, and other organizations interested in citywide planning projects;
- The City's Planning "Notify Me" email list; and,
- The interested parties list, which includes interested individuals who contacted the City and requested to be added to the project notification list.

ATTACHMENTS
Att 1 – Proposed Resolution

Exhibit 1 – Initial Study - Mitigated Negative Declaration
Exhibit 2 – Findings for Approval
Exhibit 3 – Conditions of Approval
Exhibit 4 – Disposition, Development, and Loan Agreement
Exhibit 5 – Reuse Appraisal
Att 2 – Project Plans
Att 3 – General Plan Conformance Transportation Analysis
Att 4 – Factual Data Sheet
Att 5 – Density Bonus Letter
Att 6 – Design Review Letter
Att 7 – Draft Mitigation Monitoring and Reporting Program
Att 8 – Response to Public Comment on General Plan Conformance Transportation Analysis
Att 9 – Public Comment

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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

Item #11
Consent Calendar

ADMINISTRATIVE REPORT

TO:	CITY COUNCIL AND SUCCESSOR AGENCY
FROM:	LARRY A. PATTERSON, CITY MANAGER
PREPARED BY:	CITY MANAGER'S OFFICE
MEETING DATE:	SEPTEMBER 15, 2014
SUBJECT:	SUCCESSOR AGENCY LONG RANGE PROPERTY MANAGEMENT PLAN REVISION

RECOMMENDATION
Approve the revised Long Range Property Management Plan for submission to the Oversight Board.

BACKGROUND
State law (AB 1484) requires that successor agencies prepare a Long-Range Property Management Plan (LRPMP) for the disposition and use of former redevelopment agency properties. The Successor Agency to the City of San Mateo Redevelopment Agency submitted the required LRPMP to the California Department of Finance (DOF) on October 17, 2013. The LRPMP addressed the disposition of the five properties (comprising a total of eight parcels) that are currently under title with the Successor Agency to the Redevelopment Agency of the City of San Mateo. The five properties include:

1. North B Street parcels – These two parcels provide public vehicle access from B Street and Baldwin Avenue to the downtown Caltrain station.
2. Fourth and Railroad Avenue (aka the "Talbots lot") – These two parcels provide 37 public parking spaces.
3. 480 E. 4th Avenue (aka the "Kinkos lot") – This parcel provides 89 public parking spaces and recently housed the temporary Fire Station 24.
4. 400 E. 5th Avenue (aka the "Workers Resource Center lot") – This parcel provides 107 public parking spaces. A portion of the property is leased to the City and houses the Workers Resource Center.

5. Detroit Drive parcels – These two parcels abut the Marina Lagoon and house a water pumping station that pumps water from the lagoon into the Bay.

State law provides four options for the disposition of real property under an LRPMP as follows:

[1] Retention of the property for a "governmental use." Under this option the property is transferred to the City at no cost.

[2] Retention of the property for future development. Under this option the property is transferred to the City at no cost with an expectation that the City will pursue future development of the site in a manner consistent with existing City plans.

[3] Use of the property to fulfill an enforceable obligation. This option is available if the property was to be conveyed under an agreement in place before the law dissolving redevelopment agencies was adopted. This option is not available in the City's case, because there were no agreements in place for the disposition and development of the Agency properties at the time the dissolution law was adopted.

[4] Sale of the property. This option involves selling the property at its current fair market value.

The Successor Agency submitted the original LRPMP to the DOF on October 17, 2013. The LRPMP, which was approved by the Oversight Board and the City Council, requested that all of the parcels, with the exception of the Kinkos lot, be transferred to the City of San Mateo and continue in their current use, which the LRPMP defined as a "governmental purpose". The LRPMP proposed that the Kinkos lot be sold for private development but required that the existing public parking be replaced as part of the development.

The City received a formal response from the DOF on April 28, 2014 rejecting the LRPMP as submitted. The letter outlined that public parking was not considered a governmental use by the State and as a result, the City needed to examine other available disposition options for the three public parking lots downtown. The letter did not touch on the fact that the Kinkos lot was proposed to be sold, which may have been an oversight of the DOF. The proposed transfer of the other two sites, the North B and Detroit Drive parcels, are presumed to be approved by the DOF. However, the transfer of these properties cannot occur until the City has an approved LRPMP in place.

The City is required to submit a revised LMPRP to the DOF. Although there is no set deadline for this submittal, current State law requires that all LRPMPs must be approved by the DOF no later than January 1, 2016. The revised plan must be reviewed and approved by the Oversight Board before it is submitted to the DOF.

Proposed Disposition in the Revised LRPMP

Attachment 1 of this report contains the draft revised LRPMP. The prior correspondence from the DOF indicated that they were supportive of the request in the prior LRPMP to transfer the

Detroit Drive and the North B parcels to the City for governmental use. As a result, the revised LRPMP requests the same disposition for these two properties.

The revised LRPMP requests that the Kinkos and Worker's Resource Center sites be transferred to the City to be held for future development. The City has shown clear prior intention to develop these parcels which is supported by several City documents including the Downtown Specific Plan, the Redevelopment Agency's Five-Year implementation Plan, and the Request for Proposals that was issued in 2009 for those two sites. This documentation has been included in the revised submittal.

The Talbots site is proposed to be transferred to the City to be retained for public parking as a governmental use. This is the same disposition that was included in the original LRPMP that was rejected by the DOF. However, the DOF's position on public parking as a governmental use has evolved since the City's plan was rejected in April. In several cities they have accepted this use if the parking was part of, and partially funded by, a parking assessment district. In San Mateo, this parking lot has always been considered an integral part of the Central Parking Improvement District (CPID) and CPID revenues are used to maintain the parking lot. Documentation has been included to demonstrate that the Talbot's site importance for the CPID.

BUDGET IMPACT
There is no immediate budget impact from the proposed disposition of the properties. The City may receive proceeds from the sale of the Kinkos and Workers Resource Center properties at a future date if the plan is approved.

ENVIRONMENTAL DETERMINATION
The disposition of property is exempt from the California Environmental Quality Act (CEQA) because it is not a project as defined by CEQA (Public Resource Code Section 21065).

NOTICE PROVIDED
All meeting noticing requirements were met.

ATTACHMENTS
Attachment 1 – Draft Revised Long Range Property Management Plan

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