

RESOLUTION NO.16204

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDWOOD CITY 1) CONDITIONALLY AWARDING \$4,366,460 IN THE FORM OF TWO LOANS TO THE 1304 MIDDLEFIELD AFFORDABLE HOUSING PROJECT; 2) AUTHORIZING THE CITY MANAGER TO EXECUTE LOAN DOCUMENTS AND OTHER NECESSARY DOCUMENTS, ANY SUBSEQUENT AMENDMENTS OR MODIFICATIONS, AND TAKE ACTIONS NECESSARY TO EFFECTUATE THE LOANS FOR THE PROJECT; AND 3) AUTHORIZING A BUDGET AMENDMENT TO TRANSFER OF \$1,864,324 IN EXISTING REVENUES AND BUDGETED EXPENDITURES FROM THE HOME INVESTMENT PARTNERSHIPS PROGRAM FUND TO THE HOUSING SUPPORT FUND

WHEREAS, on May 8, 2023, the Council of the City of Redwood City (City Council) adopted Resolution No. 16135 approving the 2023-2027 Consolidated Plan and Fiscal Year 2023-24 Annual Action Plan (Action Plan) for HOME Investment Partnerships Program (HOME) and Community Development Block Grant (CDBG) grant funds from the United States Department of Housing and Urban Development (HUD); and

WHEREAS, the Action Plan states the City of Redwood City's (City) intent to issue a Notice of Funding Availability (NOFA) for anticipated HOME resources in Fiscal Year 2023-24, an amount that includes prior year HOME allocations, Program Year 2023 HOME funds, prior year Community Housing Development Organization (CHDO) funds, and sales proceeds from the sale of the City-owned property at 1306 Main Street (1306 Main); and

WHEREAS, the City released a NOFA on August 16, 2023, for new affordable housing construction projects in the City that includes HOME funds and other City affordable housing funds; and

WHEREAS, the NOFA makes funding available for new construction of affordable, multi-family rental projects with at least five (5) units, and all units funded through the NOFA must be affordable to very low-income households, defined as households earning at or below 50 percent of the Area Median Income (AMI), and a minimum of 15 percent of the units in the project must be affordable to extremely low-income households, defined as households earning 30 percent of AMI or below; and

WHEREAS, the City reviewed three (3) applications for funding, including an affordable housing project at 1304 Middlefield (Project), consisting of 27 extremely low-income units, 44 very low-income units, 21 low-income units, and 2 unrestricted manager's units; and

WHEREAS, the Project application was approved on April 17, 2023, and a modified application approved on May 16, 2023, via the Senate Bill (SB) 35 ministerial review process; and

WHEREAS, the Project received the highest score pursuant to the evaluation criteria provided in the NOFA; and

WHEREAS, the City Council wishes to fund projects in the best position to move forward to construction and occupancy; and

WHEREAS, amendments to the Fiscal Year 2023-2024 Budget are required to move the portion of the 1306 Main sale proceeds attributed to the appreciation of the City's original HOME investment into 1306 Main (\$1,864,324) that are considered unrestricted affordable housing funds; and

WHEREAS, staff has presented written documentation below which sets forth in particularity the transfer of existing City funds from one fund to another.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF REDWOOD CITY, AS FOLLOWS:

1. The City Council hereby conditionally awards a total of \$4,366,460, in the form of two loans (Loans) in the amounts of \$2,502,136 in HOME funds and \$1,864,324 in City affordable housing funds, to 1304 Middlefield LP, an affiliate of the Sand Hill Property Company, for the Project, as set forth in the Conditional Commitment Letter in Exhibit A.

2. The City Council authorizes the City Manager or their designee to execute Loan Documents, other necessary documents including Regulatory Agreements, Deed of Trusts, and Promissory Notes, and any subsequent amendments or modifications thereto, in a form approved by the City Attorney, to effectuate the Loans for the Project;

3. The City Council authorizes the City Manager or their designee to take all actions necessary to complete this transaction.

4. The City Council authorizes a budget amendment to transfer existing revenue and budgeted expenditures in the amount of \$1,864,324 from Fund 259 (HOME Investment Partnerships Program Fund) to Fund 281 (Housing Support Fund), as follows:

[Page intentionally left blank]

| Summary of Recommended Change by Budget Type | | |
|---|-------------------------------|--------------------------|
| | Existing Revenues (\$) | Expenditures (\$) |
| HOME Investment Partnerships (HOME) Fund (259) | (\$1,864,324) | (\$1,864,324) |
| Affordable Housing Support Fund (281) | \$1,864,324 | \$1,864,324 |
| Net Increase/Decrease | - | - |

5. This Resolution shall be effective immediately upon adoption.

* * *

Office of the City Manager
Melissa Stevenson Diaz, City Manager



1017 Middlefield Road
Redwood City, CA 94063
(650) 780-7301
Fax (650) 780-7225

Candice Gonzalez
Chief Housing Officer
The SHP Foundation
2600 El Camino Real
Palo Alto, CA 94306

February __, 2024

Re: Conditional Funding Commitment for the Affordable Housing Project at 1304 Middlefield Rd.

Dear Ms. Gonzalez,

This letter is to inform you that on February 12, 2024, the City Council of the City of Redwood City conditionally approved the commitment of funds in the amount of \$4,366,460 in the form of two Loans (Loans) for construction of the 1304 Middlefield project (Project). The Loans consist of \$2,502,136 in City HOME Investment Partnerships Program (HOME) funds and \$1,864,324 in City affordable housing funds, respectively. The recipient of the Loan is the project owner, 1304 Middlefield LP.

The Project is located at 1304 Middlefield in Redwood City and consists of 94 total units: 27 extremely low-income units; 44 very low-income units; 21 low-income units; and 2 unrestricted manager's units.

The Loans shall be awarded to the Project subject to the following conditions:

- Completion of National Environmental Protection Act (NEPA) project review, as required by the United States Department of Housing and Urban Development (HUD).
- Commitment of additional public (County, state, and federal) funds to proceed with construction of the Project.
- Fulfillment of any other requirements of the HOME Program.

Funding from the Loans will not be available until the above conditions have been met and loan agreements and all associated documents between 1304 Middlefield LP and the City have been executed.

The terms of the Loan are as follows:

- **Interest Rate:** 3% (simple)
- **Term of Loan:** 57 years from date of completion of construction
- **Regulatory Term:** 20 years from date of completion of construction for HOME-assisted units; 55 years from date of completion of construction for units funded with City affordable housing funds.
- **Repayment:** Annual payments based on 50% of residual receipts, as defined in the loan agreement. When other public funding is involved, the City will negotiate the payment of residual receipts.

The commitment of HOME and City affordable housing funds is consistent with the purposes of the use of these funds and constitutes an encumbrance of said funds as of the date of this Conditional Commitment Letter. The loan agreements will be subject to meeting all applicable City, state, and federal regulatory requirements and acceptance of due diligence documentation.

If you have any questions, please reach out to Alin Lancaster at alancaster@redwoodcity.org and Rachel Horst at rhurst@redwoodcity.org.

Sincerely,

Melissa Stevenson Diaz

City Manager

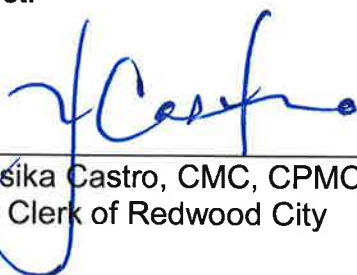
Passed and adopted by the Council of the City of Redwood City at a
Joint City Council/Successor Agency Board/Public Financing Authority Meeting
thereof held on the 12th day of February 2024 by the following votes:

AYES: Aguirre, Eakin, Howard, Martinez Saballos, Sturken, and
Mayor Gee
NOES: None
ABSENT: Vice Mayor Espinoza-Garnica
ABSTAINED: None
RECUSED: None



Jeff Gee
Mayor of the City of Redwood City

Attest:



Yessika Castro, CMC, CPMC
City Clerk of Redwood City

I hereby approve the foregoing resolution this
13th day of February 2024.



Jeff Gee
Mayor of the City of Redwood City