



**HOUSING ENDOWMENT AND REGIONAL TRUST
HEART
OF SAN MATEO COUNTY
BOARD MEETING AGENDA
MEETING NO. 129**

DATE: Wednesday, July 26, 2017
TIME: 3:00- 4:30 pm
PLACE: Silicon Valley Community Foundation Conference Center,
1300 S El Camino Real, #100, San Mateo, CA 94402

- 1.0 CALL TO ORDER/ ROLL CALL**
- 2.0 PUBLIC COMMENT**
Public comment permitted on both items on the agenda and items not on the agenda.
- 3.0 APPROVAL OF MINUTES**
Motion to approve minutes from meeting of June 28, 2017.....p. 2
- 4.0 ADOPT RESOLUTION 57 AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A LOAN AGREEMENT WITH THE COUNTY OF SAN MATEO FOR MEASURE K FUNDS IN THE AMOUNT OF \$5 MILLION FOR THE PURPOSE OF MAKING HOUSING DEVELOPMENT LOANS TO NON-PROFIT AND FOR-PROFIT ORGANIZATIONS AND EDUCATIONAL INSTITUTIONS; LOANS FOR THE PRESERVATION, ACQUISITION AND REHABILITATION OF HOUSING; AND OTHER HOUSING-RELATED LOANS. p. 3**
- 5.0 EXECUTIVE DIRECTOR’S REPORT**
5.1 Oral Report
- 6.0 OTHER NEWS AND ANNOUNCEMENTS**
Next meeting date: Wednesday, September 27, 2017, 3:00-4:30 pm, Silicon Valley Community Foundation Conference Center, 1300 S El Camino Real, #100, San Mateo, CA 94402
- 7.0 ADJOURN**



**HOUSING ENDOWMENT AND REGIONAL TRUST
HEART
OF SAN MATEO COUNTY**

**BOARD MEETING MINUTES - DRAFT
MEETING NO. 128**

DATE: Wednesday, June 28, 2017
TIME: 3:00- 4:30 pm
PLACE: Silicon Valley Community Foundation Conference Center,
1300 S El Camino Real, #100, San Mateo, CA 94402

Present: Maryann Derwin, Karyl Eldridge, Pam Frisella, Larry Franzella, Don Horsley, Diane Howard, Ken Ibarra, Doug Kim, Jack Matthews, Liza Normandy, Warren Slocum, Anne Campbell (arrived at beginning of agenda item 3.0)

Staff: Ken Chan, Armando Sanchez, Paula Stinson, Boris Vatkin

Guests: Ray Hodges, Jazzalyn Lamadora, Justin Mates

1.0 CALL TO ORDER/ ROLL CALL

- Chair Horsley called the meeting to order at 3:04 pm.

2.0 PUBLIC COMMENT

Public comment permitted on both items on the agenda and items not on the agenda.

- No public comments.

3.0 INTRODUCTIONS

Introduce new HEART staff member Boris Vatkin

- Director Sanchez introduces staff member Vatkin to the Members of the Board.

4.0 CONSENT CALENDAR

4.1 Motion to approve Consent Calendar

- 4.1.1 Approval of minutes of May 24, 2017..... p. 3
- 4.1.2 Resolution authorizing the Executive Director to execute an agreement with the San Mateo County Department of Housing for the provision of fiscal and program services in the amount of \$35,000..... p. 5
- 4.1.3 Resolution authorizing the Executive Director to execute an agreement with the Housing Leadership Council for the provision of office space and administrative services in the amount of \$27,325 p. 14
- 4.1.4 Resolution authorizing the Executive Director to execute an agreement with the County Counsel’s Office for the provision of legal services in the amount of \$25,404 p. 24

- Chair Horsley motions to approve. Board Member Campbell Seconds. 11-0-1. Motion passed with Board Member Matthews abstaining.

5.0 APPROVAL OF 2017-18 CAPITAL AND OPERATING BUDGETS

5.1 Resolution Approving HEART’s 2017-18 Operating Budget and Capital Budget P. 28

- Director Sanchez provides oral report.
- Board Member Frisella made motion to approve. Board Member Franzella seconds. 12-0-0. Motion passed unanimously.

6.0 RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A LOAN AGREEMENT WITH THE COUNTY OF SAN MATEO FOR MEASURE K FUNDS IN THE AMOUNT OF \$5 MILLION FOR THE PURPOSE OF MAKING HOUSING DEVELOPMENT LOANS TO NON-PROFIT AND FOR-PROFIT ORGANIZATIONS AND EDUCATIONAL INSTITUTIONS; LOANS FOR THE PRESERVATION, ACQUISITION AND REHABILITATION OF HOUSING; AND OTHER HOUSING-RELATED LOANS..... p. 34

- Director Sanchez gave presentation on the loan agreement with the County of San Mateo.
- Board Member Ibarra asks members of the staff to provide a version of the agreement that can be understood by residents.
- Director Sanchez confirmed that 14 members were necessary in order to vote/approve the Resolution, but only 12 members were present.
- Chair Horsley motions to for an unofficial vote with the current Board Members in attendance in order to indicate to the County of San Mateo that HEART is interested in moving forward with the loan agreement. Board Member Slocum seconds. 12-0-0. Motion passed unanimously.
- Chair Horsley will put item for a vote on the agenda at the next County Board of Supervisors meeting.

7.0 NOMINATING COMMITTEE REPORT

7.1 Oral Report by Board Member Nack

- Board Member Nack was unable to attend the meeting and Director Sanchez provided the oral report in his place.

8.0 EXECUTIVE DIRECTOR'S REPORT

8.1 Oral Report

- Director Sanchez provided report on the possibility of Daly City rejoining HEART.
- Board Member Frisella suggests that staff provide a report on the contributions received by each member city of HEART.
- Director Sanchez will reach out to the Pacifica School District and offer assistance in filling out their loan application.

9.0 OTHER NEWS AND ANNOUNCEMENTS

Next meeting date: Wednesday, July 26, 2017, 3:00-4:30 pm, Silicon Valley Community Foundation Conference Center, 1300 S El Camino Real, #100, San Mateo, CA 94402

- Board Member Howard indicates that she cannot attend the next meeting.
- Chair Horsley suggests that a poll be taken to change the next meeting date in order to accommodate Board Member's schedules to achieve the required 14 votes to approve the \$5 million loan agreement.
- The Board suggests that cookies and additional refreshments be brought to the meeting on a consistent basis.

10.0 ADJOURN

- Chair Horsley adjourns the meeting at 4:00 pm.



Administrative Report

To: Chair and Board of Directors

From: Armando F. Sanchez, Executive Director

Date: July 26, 2017

Subject: Adopt Resolution 57 authorizing the Executive Director to execute a loan agreement with the County of San Mateo for Measure K Funds in the amount of \$5 million for the purpose of making housing development loans to non-profit and for-profit organizations and educational institutions; loans for the preservation, acquisition and rehabilitation of housing; and other housing related loans.

On June 28, 2017 the Board reviewed a loan agreement with the County of San Mateo to borrow \$5 million. HEART will use the funds for predevelopment, acquisition, and bridge loans under the "QuickStart" Loan Program. HEART's Bylaws require that "no less than two-thirds (2/3rds) of the current authorized directors, regardless of the number present at a meeting, approve incurring and discharging debt, liabilities and obligations." On June 26, the Board had 20 authorized directors, needing 14 members to approve the resolution. However, only 12 members were present, with the members voting 12-0 unofficially to show their interest in adopting the Resolution. With a recent resignation, the Board currently has 19 authorized directors. Staff is requesting the Board adopt Resolution 57, with the approval of 13 directors. For your information, a copy of the June 28 Administrative Report is attached.

The County Board of Supervisors approved the agreement on July 11 and gave the Director of Housing authority to execute the Agreement upon HEART's approval and execution of the agreement.

Attachments:

- Resolution 57
- Measure K Loan Agreement
- Administrative Report from June 28, 2017



RESOLUTION NO. 57

HOUSING ENDOWMENT AND REGIONAL TRUST OF SAN MATEO COUNTY

RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A LOAN AGREEMENT WITH THE COUNTY OF SAN MATEO FOR MEASURE K FUNDS IN THE AMOUNT OF \$5 MILLION FOR THE PURPOSE OF MAKING HOUSING DEVELOPMENT LOANS TO NON-PROFIT AND FOR-PROFIT ORGANIZATIONS AND EDUCATIONAL INSTITUTIONS; LOANS FOR THE PRESERVATION, ACQUISITION AND REHABILITATION OF HOUSING; AND OTHER HOUSING-RELATED LOANS.

RESOLVED, by the Board of the Housing Endowment and Regional Trust of San Mateo County (HEART), that

WHEREAS, on May 11, 2017, the San Mateo County ("County") Board of Supervisors voted to invest \$43.75 million from Measure K funds over two years to increase the supply of affordable housing for working families, seniors and formerly homeless veterans; and

WHEREAS, the newly approved County's Measure K housing recommendation for Fiscal Years 2017-2019 includes a \$5 million loan to HEART; and

WHEREAS, the County desires to see HEART make loans to non-profit and for-profit organizations and educational institutions for the purpose of developing, preserving, acquiring and rehabilitating affordable housing; and

WHEREAS, the County desires that the loan to HEART will encourage other municipality members of HEART joint powers authority to similarly lend uncommitted housing funds to HEART to initiate affordable housing projects throughout San Mateo County; and

WHEREAS, HEART is qualified and has the capacity to make loans to non-profit and for-profit organizations and educational institutions to develop and preserve affordable housing; and

WHEREAS, the HEART Board has been presented for its consideration and acceptance a form of agreement between the County and HEART whereby the County shall lend HEART up to \$5 million to be repaid within five years of any disbursement with interest at the applicable County Treasury Pool rate for the loan period but in any event no greater than two percent (2%); and

WHEREAS, pursuant to the terms of said agreement, HEART shall use said funds within two years of the execution of the agreement to make loans to non-profit and for-profit organizations and educational institutions to develop and preserve affordable housing.

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED:

1. The Board of Directors hereby authorizes the Executive Director to execute, on behalf of HEART, a loan agreement with the County for up to \$5 million consistent with the terms

described herein and substantially of the form of the agreement presented in connection with this Resolution. The final form of the agreement is subject to attorney review and approval.

Approved by the Board of Directors by a vote of ____ ayes, ____ noes, and ____ abstentions on this 26th day July, 2017.

Board Chair

Date

Attest: Secretary

Date

**MEASURE K LOAN AGREEMENT
BETWEEN THE COUNTY OF SAN MATEO AND
HOUSING ENDOWMENT AND REGIONAL TRUST**

This Agreement is entered into this ____ day of August, 2017 by and between the County of San Mateo, a political subdivision of the State of California, hereinafter called "County," and the Housing Endowment and Regional Trust ("HEART"), a joint powers authority formed and existing under the laws of the State of California. The County and HEART are sometimes referred to herein as the "Parties."

* * *

WHEREAS, HEART has requested that the County loan funds to HEART ("Loan") that HEART will use to make housing development loans to non-profit and for-profit organizations and educational institutions; loans for the preservation, acquisition and rehabilitation of housing; and other housing-related loans, as approved by the County and as further described in Exhibit A to this Agreement (the "Project");

WHEREAS, the County has approved the use of funds from sales tax revenues raised through Measure K to make the Loan to HEART for the purpose of carrying out the Project pursuant the terms set forth in this Agreement; and

WHEREAS, the County desires that the Loan will encourage other municipal members of HEART to similarly provide additional funding to HEART for the Project or similar programs.

NOW, THEREFORE, the Parties agree as follows:

1. Exhibits and Attachments

The following exhibits and attachments are attached to this Agreement and incorporated into this Agreement by this reference:

- Exhibit A—Project Description
- Exhibit B—Reporting

2. Loan

County hereby agrees to loan HEART a sum not to exceed Five Million Dollars (\$5,000,000) in consideration of, and on the condition that, the full sum loaned by the County to HEART be used for the sole purpose of carrying out the Project as identified in Exhibit A, and in no event shall the County's total fiscal obligation under this Agreement exceed this amount. HEART agrees to assume any obligation to secure and pay all additional funds that shall be necessary to carry out the Project.

Funds loaned under this Agreement shall not be disbursed until execution of this Agreement by County and HEART and the funds shall be disbursed as described herein.

Upon execution of this Agreement by both Parties and written request of HEART in a form acceptable to the County, the County shall remit to HEART's account (or accounts) kept in the County Pool an amount directed by HEART and will, from time to time thereafter, upon written request of HEART, remit funds to HEART's account (or accounts) kept in the County Pool, in such amounts as directed by HEART, provided, however, that in no event shall the total amount of the Loan to HEART under this Agreement exceed Five Million Dollars (\$5,000,000). HEART's request to remit funds shall be accompanied by such supporting and substantiating documentation as the County may reasonably request (e.g., loan-related documentation etc.) and submittal of any required reports required in Exhibits A or B. All requests by HEART to the County remit funds shall be made within two years after the first day of the Term of this

Agreement. The County reserves the right to change the disbursement method of the Loan during the Term of this Agreement.

3. Term & Termination

Subject to compliance with all terms and conditions, the Term of this Agreement shall begin on the date stated in the preamble to this Agreement (i.e., August __, 2017) and shall end on August __, 2024, provided, however, the repayment terms of the Loan shall be pursuant to the provisions of Exhibit A herein. HEART shall make all loans under the Project, as described in Exhibit A, within two years of the first day of the Term of this Agreement. While this Agreement will not automatically renew, nor shall anything in this Agreement imply the possibility of any future County loans to HEART, the Parties may agree, in writing to extend the Term of this Agreement.

County may terminate this Agreement at any time due to the unavailability of Federal, State, or County funds by providing written notice to HEART within a reasonable time after County learns of said unavailability of funding. HEART acknowledges that this Agreement may be subject to approval of the Board of Supervisors, and assumes all risk of possible non-appropriation and non-approval of funds. However, if, at the time of such termination of the Agreement, HEART has already made loans or the HEART governing board has approved loans under the Project, as described in Exhibit A of the Agreement, no termination of this Agreement shall be deemed to impact the validity of such loans, nor shall HEART have any obligation to repay the County such amounts that have been so loaned until the end of the contractual term of such Project loans.

County may suspend and/or terminate this Agreement if, after thirty days written notice and a reasonable opportunity to cure during that thirty-day notice period, HEART fails to comply with the terms of this Agreement. Further, the County may, in its sole discretion, withhold or cancel pending and future disbursements of loan funds and/or require HEART to return some or all funds disbursed under this Agreement in the event of such breach of the Agreement. In the event of such termination, HEART shall either assign all outstanding Project loans to the County or HEART shall promptly pay the County the outstanding balance of the Loan, plus accrued interest.

4. Relationship of Parties

Notwithstanding any publicity or other references to the County required to be made in connection with the Project as set forth in Exhibit A, HEART understands and agrees that the Project performed under this Agreement is not performed by HEART as an independent contractor of the County or as an employee of County and that neither HEART nor its employees acquire any of the rights, privileges, powers, or advantages of County contractors or County employees. HEART acknowledges and agrees that it is not, and will not hold itself out as, an agent, partner, or co-venturer of the County, and that this Agreement is not intended and does not create an agency, partnership, joint venture between the Parties

5. Project Administration

The Parties agree that the Project as described in Exhibit A shall not be altered without a written amendment to this Agreement, signed by both Parties. HEART shall provide written reports to the County's authorized representative in accordance with Exhibit B.

6. Hold Harmless

HEART acknowledges and agrees that in making the Loan, the County assumes no responsibility for construction defects, dangerous conditions of public property, or any other liability associated with the construction, operation, repairs, maintenance or ownership of any properties that receive financing from HEART from proceeds of the Loan. HEART shall indemnify and save harmless County and its officers, agents, employees, and servants from all claims, suits, or actions of every name, kind, and description resulting from this Agreement, the performance of any work or services performed of HEART in

furtherance of the Project under this Agreement, or payments made pursuant to this Agreement brought for, or on account of, any of the following:

- (A) injuries to or death of any person, including HEART or its employees/officers/agents/volunteers;
- (B) damage to any property of any kind whatsoever and to whomsoever belonging;
- (C) any sanctions, penalties, or claims of damages resulting from HEART's failure to comply with any applicable federal, state, or local laws or regulations; or
- (D) any other loss or cost, including but not limited to that caused by the concurrent active or passive negligence of County and/or its officers, agents, employees, or servants. However, HEART's duty to indemnify and save harmless under this Section shall not apply to injuries or damage for which County has been found in a court of competent jurisdiction to be solely liable by reason of its own negligence or willful misconduct.

Further, HEART shall require all contractors or subcontractors performing work on the Project to indemnify the County and its officers, agents, employees, and servants on terms that are materially the same as those set forth in this Agreement. The duty of HEART to indemnify and save harmless as set forth by this Section shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

7. Insurance

a. General Requirements

Prior to its receipt of any funds pursuant to this Loan Agreement, HEART shall obtain all insurance required under this Section and such insurance shall be subject to the approval by County's Risk Management, and HEART shall use diligence to obtain such insurance and to obtain such approval. HEART shall furnish County with certificates of insurance evidencing the required coverage, and there shall be a specific contractual liability endorsement extending HEART's coverage to include the contractual liability assumed by HEART pursuant to this Agreement. These certificates shall specify or be endorsed to provide that thirty (30) days' notice must be given, in writing, to County of any pending change in the limits of liability or of any cancellation or modification of the policy.

b. Workers' Compensation and Employer's Liability Insurance

HEART shall have in effect during the entire Term of this Agreement workers' compensation and employer's liability insurance providing full statutory coverage. In signing this Agreement, HEART certifies, as required by Section 1861 of the California Labor Code, that (a) it is aware of the provisions of Section 3700 of the California Labor Code, which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of the Labor Code, and (b) it will comply with such provisions before commencing or continuing the performance of Project work for which it would receive Loan funds.

c. Liability Insurance

HEART shall take out and maintain during the term of this Agreement such bodily injury liability and property damage liability insurance as shall protect HEART and all of its employees/officers/agents while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from HEART's operations under this Agreement, whether such operations be by HEART, any subcontractor, anyone directly or indirectly employed by either of them, or an agent of either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall not be less than the amounts specified below:

- X Comprehensive General Liability... \$2,000,000
(Applies to all agreements)
- Motor Vehicle Liability Insurance... \$1,000,000
(To be checked if motor vehicle used in performing services)
- Professional Liability..... \$1,000,000
(To be checked if Grantee is a licensed professional)

HEART shall require all borrowers receiving loans from HEART in connection with the Project to have insurance coverage at no less than the levels required of HEART under the terms of this Agreement. County and its officers, agents, employees, and servants shall be named as additional insured on all policies of insurance required of HEART under this Agreement, which policies shall also contain a provision that (a) the insurance afforded thereby to County and its officers, agents, employees, and servants shall be primary insurance to the full limits of liability of the policy and (b) if the County or its officers, agents, employees, and servants have other insurance against the loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this Section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, County, at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend any further payment pursuant to this Agreement.

8. Right of Inspection/Audit

HEART will keep accurate and complete accounting, Loan, and Project-related documents. During the term of this Agreement, and not more than once per year (unless circumstances reasonably warrant additional audits), County may audit and/or review HEART’s records regarding the Loan and/or the Project to ensure compliance with this Agreement upon no fewer than 10 business days’ notice.

9. Assignability and Subcontracting

HEART shall not assign this Agreement or any portion of it to a third party. Any such assignment without County’s prior written consent shall be a material breach of this Agreement and shall give County the right to automatically and immediately terminate this Agreement without penalty or advance notice and the County shall have the right to a refund of all funds disbursed under this Agreement subject to Section 3 of this Agreement. The Parties acknowledge and agree that HEART intends to use the proceeds of the Loan to make loans to other parties as described in Exhibit A to this Agreement.

10. Compliance With Laws

All services and actions to be performed by HEART in connection with the Project shall be performed in accordance with all applicable Federal, State, County, and municipal laws, ordinances, and regulations. In connection with the Project, HEART bears responsibility to obtain, at Grantee’s expense, any license, permit, or approval required from any agency (and to ensure that all contractors obtain any such license, permit, or approval.

11. Merger Clause: Amendments

This Agreement, including Exhibits, constitutes the sole Agreement of the parties regarding the Grant, and correctly states the rights, duties, and obligations of each party as of this document’s date. In the event that any term, condition, provision, requirement, or specification set forth in the body of this Agreement conflicts with or is inconsistent with any term, condition, provision, requirement, or specification in any Exhibit and/or Attachment to this Agreement, the provisions of the body of the

Agreement shall prevail. Any prior agreement, promises, negotiations, or representations between the parties concerning the Grant that are not expressly stated in this document are not binding. All subsequent modifications or amendments shall be in writing and signed by the parties.

12. Controlling Law; Venue

The validity of this Agreement and of its terms, the rights and duties of the parties under this Agreement, the interpretation of this Agreement, the performance of this Agreement, and any other dispute of any nature arising out of this Agreement shall be governed by the laws of the State of California without regard to its choice of law or conflict of law rules. Any dispute arising out of this Agreement shall be venued either in the San Mateo County Superior Court or in the United States District Court for the Northern District of California.

13. Notices

Any notice, request, demand, or other communication required or permitted under this Agreement shall be deemed to be properly given when both: (1) transmitted via email to the email address listed below; and (2) sent to the physical address listed below by either being deposited in the United States mail, postage prepaid, or deposited for overnight delivery, charges prepaid, with an established overnight courier that provides a tracking number showing confirmation of receipt.

In the case of County, to:	In the case of HEART, to:
County of San Mateo Department of Housing Attn: Ken Cole, Director 264 Harbor Boulevard, Building A Belmont, CA 94002 P: 650-802-5024 E: kcole@smchousing.org	Housing Endowment and Regional Trust of San Mateo County Attn: Armando Sanchez, Executive Director 2905 S. El Camino Real San Mateo, CA 94403 P: 650-242-1764 E: asanchez@heartofsmc.org

14. Electronic Signature

If both County and HEART wish to permit this Agreement and future documents relating to this Agreement to be digitally signed in accordance with California law and County’s Electronic Signature Administrative Memo, both boxes below must be checked. Any party that agrees to allow digital signature of this Agreement may revoke such agreement at any time in relation to all future documents by providing notice pursuant to this Agreement.

For County: If this box is checked by County, County consents to the use of electronic signatures in relation to this Agreement.

For HEART: If this box is checked by Grantee, Grantee consents to the use of electronic signatures in relation to this Agreement.

* * *

THIS AGREEMENT IS NOT VALID UNTIL SIGNED BY ALL PARTIES. NO FUNDS WILL BE DISTRIBUTED UNTIL THIS DOCUMENT HAS BEEN SIGNED BY THE COUNTY'S AUTHORIZED DESIGNEE.

For HEART:

(signature)
Authorized Representative
Housing Endowment and Regional Trust

Date

(please print name and title)

For County:

(Signature)
Authorized Designee
County of San Mateo

Date

(please print name and title)

Exhibit A

- A. County will loan HEART a sum not to exceed Five Million Dollars (\$5,000,000) in consideration of, and on the condition that, the full sum of the Loan be used for the sole purpose of carrying out the Project as identified in this Exhibit A, and in no event shall the County's total fiscal obligation under this Agreement exceed this amount. HEART agrees to assume any obligation to secure and pay all additional funds that shall be necessary to carry out the Project.
- B. Upon execution of this Agreement by both Parties and written request of HEART in a form acceptable to the County, the County shall remit to HEART's account (or accounts) kept in the County Pool an amount directed by HEART and will, from time to time thereafter, upon written request of HEART, remit funds to HEART's account (or accounts) kept in the County Pool, in such amounts as directed by HEART, provided, however, that in no event shall the total amount of the Loan to HEART under this Agreement exceed Five Million Dollars (\$5,000,000). HEART's request to remit funds shall be accompanied by such supporting and substantiating documentation as the County may reasonably request (e.g., loan-related documentation etc.) and submittal of any required reports required in Exhibits A or B.
- C. All requests by HEART to remit funds shall be made within two years after the first day of the Term of this Agreement and HEART shall make all Project loans within two years after the first day of the Term of the Agreement. HEART shall repay all funds that constitute any portion of the Loan principal within five years and thirty days of the date that such funds are remitted by the County to HEART. Only by way of example, if the County remits Two Million Dollars to HEART on January 1, 2018 and Three Million Dollar to HEART on July 1, 2019, HEART shall be required to repay Two Million Dollars (plus applicable interest, as described in Section D of Exhibit A, below) by December 31, 2022 and Three Million Dollars (plus applicable interest, as described in Section D of Exhibit A, below) by June 30, 2024. The County reserves the right to change the disbursement method of the Loan during the Term of this Agreement. The Loan principal may be prepaid.
- D. HEART shall pay interest to the County on the Loan. Interest on disbursed Loan principal shall be paid on an annual basis starting twelve months from the date of the initial disbursement. The interest shall be the amount of interest that all Loan funds that have been remitted to HEART would have earned had these funds been invested in the San Mateo County Pooled Investment Fund (the "Treasury Pooled Rate") starting on the date that the funds in question have been remitted to HEART and ending on the date that such funds are repaid. Interest at the Treasury Pooled Rate shall be calculated on a monthly basis, according to the following calculation for each month that any portion of the Loan remains outstanding:

Principal x Monthly Interest Rate x (No. of Days in Month/No. of Days in Year)

Where "Principal" is the Loan Amount that remains outstanding as of the last day of the month in question; "Monthly Interest Rate" is the monthly gross earnings as reported in the most recently available San Mateo County Treasurer's monthly investment report, available on the Treasurer-Tax Collector's website: (<http://www.sanmateocountytreasurer.org/investmentReports.html>); "No. of Days in Month" is the number of days in the month for which the Treasury Pooled Rate is being calculated; and "No. of Days in Year" is 365, except in leap years, in which the number of days in the year shall be 366. Notwithstanding the foregoing, as to any Loan funds that HEART loans out pursuant to the Project at a rate less than 3%, the interest rate that HEART is required to pay on such Loan proceeds shall not exceed two percent (2%) per annum.

- E. The County and HEART agree that the grant funds shall only be used to perform the Project. For purpose of this Agreement, the Project shall consist of HEART using the proceeds of the Loan to make the following categories of loans for housing developed within San Mateo County:

- a. **Development Loans:** HEART may use proceeds of the Loan to make predevelopment, acquisition, construction and bridge loans that are consistent with the terms of HEART's QuickStart Loan Program ("Development Loans"). The Development Loans will be made to non-profit and for-profit organizations and educational agencies and institutions (including, for example, public school districts) for the development of affordable housing and workforce housing projects. HEART will target affordable housing projects for residents with up to 120% of Area Median Income ("AMI") and preference for such loans will be given to projects with greater affordability undertakings. The Development Loans will be for the construction of multi-family rental or ownership developments with projects providing larger numbers of units receiving preference. HEART will require appropriate and industry-standard affordability covenants on a number of project units commensurate with the level of funding provided by the Development Loan. HEART may use up to Five Million Dollars of the Loan for Development Loans. The terms of Development Loans may be for up to five years at interest rates determined by HEART that are appropriate to the nature of the proposed development.

Upon request of the County, HEART shall promptly provide the County with copies of all loan guidelines and underwriting standards and procedures for review and approval of the County's Department of Housing.

Prior to the disbursement of any Development Loan, HEART shall ensure that the following documents are entered into, executed and, where customary or appropriate, acknowledged and recorded, with conformed copies provided to the County's Department of Housing:

- Promissory note for the Development Loan executed by the borrower and payable to HEART ("Note"). The Note shall include a provision stating that repayment of the Development Loan and applicable interest shall be made to the County in the event that HEART ceases to exist or operate during the term of the Development Loan.
- Deed of trust securing the repayment of the Note executed by the borrower and recorded in the official records of the San Mateo County Recorder as a lien against borrower's interest (leasehold or fee) in all lots upon which the development will take place ("Deed of Trust").
- Development Loan Agreement executed by the borrower and HEART which shall set forth the terms and conditions for closing and disbursing the Development Loan proceeds, including, but not limited to, requirements for title insurance for the Deed of Trust and borrower's responsibilities and obligations with respect to hazardous substance detection, disclosure and remediation.
- Development Loans for the development of rental housing projects shall incorporate a regulatory agreement, executed by the borrower and HEART, and recorded in the official records of the San Mateo County Recorder, documenting the affordability restrictions for the project. The affordability restrictions shall be for a minimum term of fifty-five (55) years. However, HEART will defer to deed restriction of other funders that satisfy HEART requirements provided they are recorded at closing of permanent financing.
- Development Loans for the development of for-sale housing projects shall also incorporate into the documentation for the sale of every individual housing unit to a home owner/purchaser of a unit subject to an affordability restriction a deed restriction preserving the affordability of the for-sale home at the applicable level for a period of forty-five (45) years in compliance with HEART's Programs. The deed restriction shall be recorded in the official records of the San Mateo County Recorder. However, a deed restriction is not required if it would conflict with the

requirements or law of another public funding source providing funds to finance the unit.

- b. **Preservation, Acquisition, and Rehabilitation Loans:** With the approval of the Director of the County's Department of Housing, HEART may use proceeds of the Loan to make loans for affordable or workforce housing preservation, acquisition or rehabilitation that are consistent with the terms of HEART's QuickStart Loan Program ("Preservation, Acquisition, and Rehabilitation Loans"). Preservation, Acquisition, and Rehabilitation Loans will be for affordable or workforce multi-family rental developments with a preference given to projects that provide relatively large numbers of units relative to the size of the loan amount. The Preservation, Acquisition, and Rehabilitation Loans will be made to non-profit and for-profit organizations and educational agencies and institutions (including, for example, public school districts) for the development of affordable housing and workforce housing projects. HEART will require appropriate and industry-standard affordability covenants on a number of project units commensurate with the level of funding provided by the Preservation, Acquisition, and Rehabilitation Loan. HEART may use up to Two Million Dollars (\$2,000,000) of the Loan for Preservation, Acquisition, and Rehabilitation Loans. The terms of Preservation, Acquisition, and Rehabilitation Loans may be for up to five years at interest rates determined by HEART that are appropriate to the nature of the proposed development.

Upon request of the County, HEART shall promptly provide the County with copies of all loan guidelines and underwriting standards and procedures for review and approval of the County's Department of Housing.

Prior to the disbursement of any Preservation, Acquisition, and Rehabilitation Loan, HEART shall ensure that the following documents are entered into, executed and, where customary or appropriate, acknowledged and recorded, with conformed copies provided to the County's Department of Housing:

- Promissory note for the Preservation, Acquisition, and Rehabilitation Loan executed by the borrower and payable to HEART ("Note"). The Note shall include a provision stating that repayment of the Preservation, Acquisition, and Rehabilitation Loan and applicable interest shall be made to the County in the event that HEART ceases to exist or operate during the term of the Preservation, Acquisition, and Rehabilitation Loan.
- Deed of trust securing the repayment of the Note executed by the borrower and recorded in the official records of the San Mateo County Recorder as a lien against borrower's interest (leasehold or fee) in all lots upon which the development will take place ("Deed of Trust").
- Preservation, Acquisition, and Rehabilitation Loan Agreement executed by the borrower and HEART which shall set forth the terms and conditions for closing and disbursing the Preservation, Acquisition, and Rehabilitation Loan proceeds, including, but not limited to, requirements for title insurance for the Deed of Trust and borrower's responsibilities and obligations with respect to hazardous substance detection, disclosure and remediation.
- Preservation, Acquisition, and Rehabilitation Loans for the development of rental housing projects shall incorporate a regulatory agreement, executed by the borrower and HEART, and recorded in the official records of the San Mateo County Recorder, documenting the affordability restrictions for the project. The affordability restrictions shall be for a minimum term of fifty-five (55) years. However, HEART will defer to deed restriction of other funders that satisfy HEART requirements provided they are recorded at closing of permanent financing.

- Preservation, Acquisition, and Rehabilitation Loans for the development of for-sale housing projects shall also incorporate into the documentation for the sale of every individual housing unit to a home owner/purchaser of a unit subject to an affordability restriction a deed restriction preserving the affordability of the for-sale home at the applicable level for a period of forty-five (45) years in compliance with HEART's Programs. The deed restriction shall be recorded in the official records of the San Mateo County Recorder. However, a deed restriction is not required if it would conflict with the requirements or law of another public funding source providing funds to finance the unit.
- F. For any loan made by HEART pursuant to this Agreement in connection with a project for which the County's Department of Housing is not also providing financial assistance, HEART shall use all reasonable efforts to ensure that recipients of supportive services from County agencies or service providers contracted by the County to provide such services are specifically considered as potential tenants and/or owners of any housing units funded pursuant to this Agreement.

Exhibit B

Semi-Annual Reports

In accordance with the terms of this Loan Agreement, HEART will, during the Term of the Agreement, implement the Project, as described in Exhibit A. HEART will report back to the County regarding various performance measures reasonably determined by the County including, but not limited to, those noted below. Such reporting shall be delivered to the County twice a year, at Mid-Year (no later than January 31) and Year End (no later than July 31) during each fiscal year during the term of this Agreement.

For each reporting period, HEART shall provide the following:

- Fund Balance
- Loan funds committed during reporting period
- Total loan funds committed to date
- Additional funds committed to HEART by cities and other partners

For each project assisted during the reporting period, HEART shall provide the following:

- Project name
- Project address
- Project applicant (LLC and parent organization)
- Project type (new construction, rehabilitation, etc.)
- Project description
- Use of funds (land acquisition, predevelopment loan, acquisition and rehab, etc.)
- Other funds committed by other sources for acquisition, predevelopment or other costs
- Projected construction and permanent sources of funding
- Amount of loan
- Total project cost
- Source and amount of other funding commitments
- Estimated date units will be placed in service
- Number of housing units funded by project type (new construction, rehabilitation, acquisition or other preservation), unit size, and income level
- Number of units reserved for special needs households including seniors, people with disabilities, homeless or at risk of homelessness, foster youth, etc.
- Years of affordability and instrument preserving affordability
- Other project information:
 - Transit-oriented development (TOD) units (located within one half mile of a Caltrain or BART station)
 - Public amenities, if any
 - Green building elements

For each period, HEART shall provide a summary of cumulative project reporting:

- Number of housing units funded by project type (new construction, rehabilitation, acquisition, other preservation), unit size, and income level*
- Number of units reserved for special needs households including seniors, people with disabilities, veterans, formerly homeless*
- Leveraging of HEART funds in HEART-funded projects (other sources committed/projected)*

Project Benchmarks

FY 2017-18	FY 2018-19
Projects assisted: 4	Projects assisted: 3
Total Project Units Funded: 166	Total Project Units Funded: 166
Affordable Units: 133 (80%)	Affordable Units: 133 (80%)
Funds Committed: \$2,500,000	Funds Committed: \$2,500,000

Two-Year Report

In addition to the required semi-reports, by no later than July 31, 2019, HEART shall provide a comprehensive update to the County Board of Supervisors on all disbursements of Loan funds to date, any disbursements to third-party borrowers to date, contributions to the Project from any other municipal members of the HEART joint powers authority, and Project activities to date.

Five-Year Report

In addition to the required annual reports, by no later than July 31, 2022, HEART shall provide a comprehensive update to the County Board of Supervisors on the use of all Loan funds from inception to the date of the report, any contributions to the Project from any other municipal members of the HEART joint powers authority, Project activities to date, and a status report of any loans to third-party borrowers that may be outstanding at that time.

* Performance measure will be included in Measure K Oversight Report



Administrative Report

To: Chair and Board of Directors

From: Armando F. Sanchez, Executive Director

Date: June 28, 2017

Subject: Resolution authorizing the Executive Director to execute a loan agreement with the County of San Mateo for Measure K Funds in the amount of \$5 million for the purpose of making housing development loans to non-profit and for-profit organizations and educational institutions; loans for the preservation, acquisition and rehabilitation of housing; and other housing related loans.

On May 11, 2017, the San Mateo County Board of Supervisors voted to invest \$43.75 million over two years to increase the supply of affordable housing for working families, seniors and formerly homeless veterans. The Supervisors voted 5-0 to allocate funds for affordable housing from Measure K, a half-cent sales tax extension approved by voters in 2016. The newly approved Measure K housing recommendation for Fiscal Years 2017-2019 includes a \$5 million loan to HEART. To access these funds, HEART needs to enter into a loan agreement with the County of San Mateo. Attached for the Board's consideration and adoption is the Agreement prepared by County Counsel. Following are the key provisions of the agreement:

The County is lending HEART \$5 million on the condition that the full sum of the loan be used for the sole purpose of developing affordable housing as described in more detail in Exhibit A of the Agreement. County staff is proposing to present the Agreement to the Board of Supervisors on July 11, 2017. Upon execution of the Agreement HEART may begin requesting funds. Upon request, the County will remit funds to HEART's account at the County Pool. HEART will request these funds from time to time as it makes loans for projects eligible under the Agreement's guidelines.

The term of the Agreement is for seven years and will begin upon execution of the Agreement (estimated July 1, 2017). HEART must commit the full \$5 million to projects within two years, or by June 30, 2016, 2019. HEART must repay all funds that constitute any portion of the principal within five years of the date that such funds are remitted by the County to HEART. However, if any portion of the loan remains outstanding on June, 2024 because the funds are still committed to projects that have not repaid HEART, the term of the agreement may be extended until such date as HEART receives payment from developers. While the agreement will not automatically renew, the parties may agree in writing to extend the term of this agreement in such cases.

HEART will pay interest to the County on the loan. Interest on disbursed loan principal shall be paid on an annual basis starting twelve months from the date of the initial disbursement. The interest shall be the amount of interest that all loan funds that have been remitted to HEART would have earned had these funds been invested in the San Mateo County Pooled Investment Fund (the "Treasury Pooled Rate"). Interest will begin accruing on the date that the funds in question have been remitted to HEART and

ending on the date that such funds are repaid. However, the interest on the loan shall not exceed two percent (2%), which is the baseline interest rate for HEART's loans to developers.

HEART may use proceeds of the loan to make predevelopment, acquisition, construction and bridge loans that are consistent with the terms of HEART's QuickStart Loan Program ("Development Loans"). The Development Loans will be made to non-profit and for-profit organizations and educational agencies and institutions (including, for example, public school districts), for the development of affordable housing and workforce housing projects.

HEART may use the funds for affordable housing projects for residents with income of up to 120% of Area Median Income ("AMI"). However, preference for loans will be given to projects with greater affordability. The Development Loans will be for the construction of multi-family rental or ownership developments with projects providing larger numbers of units receiving preference. HEART will require appropriate and industry-standard affordability covenants on a number of project units commensurate with the level of funding provided by the Development Loan. The terms of Development Loans may be for up to five years at interest rates determined by HEART that are appropriate to the nature of the proposed development.

Finally, HEART will need to submit progress reports to the County document lending activity, the number of units assisted, the affordability levels and other reporting requirements as may be reasonably requested by the County.

Attachments:

- Resolution
- Measure K Loan Agreement

Housing Endowment and Regional Trust Transaction Detail By Account July 2016 through June 2017

Date	Name	Original Amount	Paid Amount	Balance
42200 - Membership Dues				
42210 - City & County Membership Dues				
07/01/2016	Town of Hillsborough	3,726.00	3,726.00	3,726.00
08/26/2016	City of Belmont	8,498.00	8,498.00	12,224.00
08/26/2016	Town of Atherton	2,275.00	2,275.00	14,499.00
08/26/2016	Town of Colma	533.00	533.00	15,032.00
08/26/2016	City of Millbrae	7,083.00	7,083.00	22,115.00
08/26/2016	City of Foster City	10,055.00	10,055.00	32,170.00
08/26/2016	City of San Bruno	13,525.00	13,525.00	45,695.00
09/13/2016	City of Brisbane	1,409.00	1,409.00	47,104.00
09/13/2016	City of Burlingame	9,476.00	9,476.00	56,580.00
09/13/2016	City of San Mateo	31,976.00	31,976.00	88,556.00
09/13/2016	Town of Portola Valley	1,432.00	1,432.00	89,988.00
09/13/2016	City of Half Moon Bay	3,561.00	3,561.00	93,549.00
09/13/2016	City of San Carlos	9,344.00	9,344.00	102,893.00
09/13/2016	City of Redwood City	25,268.00	25,268.00	128,161.00
10/06/2016	City of Menlo Park	10,535.00	10,535.00	138,696.00
10/06/2016	Town of Woodside	1,739.00	1,739.00	140,435.00
10/06/2016	City of Pacifica	12,249.00	12,249.00	152,684.00
12/14/2016	City of South San Francisco	20,932.00	20,932.00	173,616.00
01/24/2017	County of San Mateo	20,139.00	20,139.00	193,755.00
06/19/2017	City of East Palo Alto	9,261.00	9,261.00	203,016.00
Total 42200 - Membership Dues			203,016.00	203,016.00