

CITY OF DALY CITY

Regular Meeting - CITY COUNCIL

AGENDA

Monday, March 12, 2018 - 7:00 PM
City Hall Council Chambers – 2nd Floor
333 – 90th Street, Daly City, CA 94015

Live Telecast: Comcast Channel 27, Astound 26, AT&T U-Verse 99

Webcast: www.dalycity.org/meetings

For those wishing to address the City Council on any Item on the Agenda or under Public Appearances/Oral Communications, please complete a Speaker Card located at the entrance to the Council Chambers and submit to a Staff Member as early in the meeting as possible.

Persons with disabilities who require auxiliary aids or services in attending or participating in this meeting should call the office of the City Clerk at 991-8078 as soon as possible.

CALL TO ORDER:

PLEDGE TO THE FLAG:

ROLL CALL:

PRESENTATIONS:

Commendation for Justin Yamamura - Prudential Spirit of the Community Award

Proclaiming March 2018 as National Nutrition Month (Crystal Young, Registered Dietitian Nutritionist, Seton Medical Center)

APPROVAL OF MINUTES:

Regular Meeting of February 26, 2018

APPROVAL OF AGENDA:

CONSENT AGENDA

All items listed on the Consent Agenda are considered to be routine and may be approved by one roll call vote of the City Council. There shall be no separate discussion of the

AVAILABILITY OF PUBLIC RECORDS:

All public record to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the City Clerk's Office, City Hall located at 333 90th Street, Daly City, CA during normal business hours, at the same time that the public records are distributed or made available to the legislative body.

matters on the Consent Agenda unless requested by a member of the City Council. If discussion is required, that item will be removed from the Consent Agenda and will be considered separately at the end of the Agenda.

Resolutions:

1. Setting Time and Place of Public Hearing Regarding Linda Vista Area of Benefit Fiscal Year 2018-2019
2. Amending Traffic Regulations to: Establish 33-ft. and 75 ft. passenger loading/unloading (white) zones along the west side of Santa Barbara Avenue in front of Woodrow Wilson Elementary School. (TSR 18/54)
3. Authorizing Submittal of Grant Application to City/County Association of Governments (C/CAG) for the 5th Cycle of the San Mateo County Lifeline Transportation Program for the Daly City Bayshore Shuttle Service
4. Setting Time and Place for Public Hearing to Consider Five-Year Consolidated Plan for FY 2019-23 and One-Year HUD Action Plan for Fiscal Year 2018-19

END OF CONSENT AGENDA

PUBLIC APPEARANCES/ORAL COMMUNICATIONS:

NOTE: Speakers are limited to two minutes, unless modified by the Mayor. The Council cannot take action on any matter raised under this item

APPOINTMENTS: Board/Commission Membership Committee Appointments

REPORTS:

5. Council Committee
 - A Affordable Housing Council Committee -
Emergency Meeting - Acquisition of 16 Units (E. Moltke) for Low Income Households
6. City Council
7. Staff

ADJOURNMENT:

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The meeting was called to order by Mayor Manalo at 7:08 P.M.

ROLL CALL: Councilmembers Present:

Juslyn C. Manalo, Mayor
Raymond A. Buenaventura, Vice Mayor
Judith A. Christensen
Michael P. Guingona
Glenn R. Sylvester

Staff Present:

Patricia E. Martel, City Manager
Rose L. Zimmerman, City Attorney
K. Annette Hipona, City Clerk

PRESENTATIONS:

Update on Active Shooter and Critical Incident Training Provided by DCPD in Conjunction with Local School Districts (Police Chief Patrick Hensley)

Lieutenant Cameron Christensen gave an overview of the security and preventive measures taken by the Police Department and school resource officers (SROs) at Daly City schools with regard to active shooter situations. Chief of Police Patrick Hensley addressed Council's questions, including the police and/or national guard presence at schools, and the possibility of collaborating with the Jefferson School Board on this matter. The Council expressed gratitude to the Police Department.

Proclaiming March 2018 Women's History Month in Daly City (Daly City Planning Commissioner Pamela DiGiovanni)

Mayor Manalo presented the proclamation to Ms. DiGiovanni, and announced that the Womens History Month Event would take place at City Hall on March 1st in the Council Chambers.

APPROVAL OF MINUTES:

Regular Meeting of February 12, 2018

It was moved by Councilmember Christensen, seconded by Councilmember Sylvester and carried to approve the minutes of February 12, 2018, as amended.

APPROVAL OF AGENDA:

It was moved by Vice Mayor Buenaventura, seconded by Councilmember Christensen, and carried to approve the agenda.

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CONSENT AGENDA:

It was moved by Councilmember Christensen, seconded by Vice Mayor Buenaventura, and carried to approve the consent agenda, as amended, with item #1 being pulled from the consent agenda for further discussion.

Resolutions:

Accepting and Appropriating an \$11,500 Grant from the Daly City Public Library Associates (DCPLA)

Tom Nuris, DCPLA President, presented a check for \$11,500 to Director of Library and Recreation Services Joseph Curran to provide funding for the City's libraries. To date, the organization has gifted a total of \$164,000 in library grants. Mr. Nuris is hoping to double DCPLA's membership this year to raise even more funding.

It was moved by Councilmember Christensen, seconded by Councilmember Sylvester and carried by unanimous roll call vote to adopt the following resolution:

Resolution 18-29, Accepting and Appropriating Grant from the Daly City Public Library Associates

Requesting Use of Federal Asset Forfeiture Funds (DEA) for a Child Abduction Intervention and Resources Course

Resolution 18-30, Authorizing Use of Federal Asset Forfeiture (DEA) Funds to Fund a Child Abduction Intervention and Resources Course

Setting Time and Place for a Hearing on General Plan Amendment GPA-4-17-12720, Planned Development PD-4-17-12721, Subdivision SUB-4-17-12723, Use Permit UPR-4-17-12722, Design Review DR-4-17-12724, and Mitigated Negative Declaration CEQA-4-17-12725, Allowing the 75 townhouses and 34,707 square feet of commercial space on two triangular sites at 3301 Junipero Serra Boulevard (previously Serra Bowl)

Resolution 18-31, Setting Time and Place of Public Hearing Regarding General Plan Amendment GPA-4-17-12720, Planned Development PD-4-17-12721, Subdivision SUB-4-17-12723, Use Permit UPR-4-17-12722, Design Review DR-4-17-12724, And Mitigated Negative Declaration CEQA-4-17-12725

Requesting Use of State Asset Forfeiture Funds to Purchase Breaching Tools for the Police Department

Resolution 18-32, Authorizing Use of Asset Forfeiture Funds to Purchase Breaching Tools for the Police Department

Authorizing the City Manager to Execute a Professional Services Agreement with Eisen | Letunic for the Daly City Bicycle and Pedestrian Master Plan Update

Resolution 18-33, Authorizing Execution of Professional Services Agreement With Eisen | Letunic + Parisi

END OF CONSENT AGENDA

COMMUNICATIONS:

Review and Approve Below Market Rate Ownership Units Implementing Guidelines

Housing and Community Development Supervisor Betsy ZoBell gave an overview of the Below Market Rate (BMR) Ownership Guidelines developed pursuant to the City's Affordable Housing Ordinance, which requires that owners of market rate ownership housing set aside 20% of the units for households of moderate incomes. The purpose of the guidelines is to provide clear directions for prospective homebuyers for below market rate ownership units; it contains sections on developer requirements, BMR purchaser requirements, and resale procedures. Council commended Economic Development staff on its collaboration on this policy with the Affordable Housing Committee and the City Manager.

It was moved by Vice Mayor Buenaventura, seconded by Councilmember Christensen and carried by unanimous roll call vote to adopt the following resolution.

Resolution 18-34, Approving Below Market Rate Ownership Unit Implementing Guidelines

Adjustments to CDBG Budgets to Reflect Current Activities, Salary Levels and Federal Allocations

Ms. ZoBell presented staff's request to adjust the 2017-18 budgets for certain CDBG activities to ensure they are up-to-date and consistent with staff salaries and federal allocations. The recommendation includes: (A) appropriation of \$16,929 in unallocated funds to CDBG Administration; (B) reducing the 2017-19 budgeted CDBG Administration expenditures by \$16,749; and (C) reducing the 2017-18 budgeted revenues and expenditures for microenterprise assistance to zero. Ms. ZoBell addressed Council's question regarding funding for the microenterprise assistance program.

Bridget Duffy, Evolution Solutions, stated that without addressing the rent issue, affordable housing would not be attainable. She recommended looking at a moratorium on rent increases and no-fault evictions such as the one passed by San Jose. For affordable housing alternatives, she suggested looking at hybrid ownership and small house communities.

It was moved by Vice Mayor Buenaventura, seconded by Councilmember Christensen and carried by unanimous roll call vote to adopt the following resolution.

Resolution 18-35, Authorizing Adjustment to the CDBG Budgets Reflect Current Activities, Salary Levels and Federal Allocations

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PUBLIC APPEARANCES/ORAL COMMUNICATIONS:

Lily Louie, resident, thanked the Council for passing the street paving ordinance and staff for being helpful. She expressed concern that no final inspection is being performed on their pavers. Ms. Louie requested guidance from the Daly City Water or Public Works Division on what steps need to be taken to set up final inspections before the permits expire.

Helen Nicely, resident/Mussel Rock Stars, thanked the City for the improvements at Mussel Rock, and requested the installation of a public toilet at the site. Ms. Nicely pointed out the numerous people who visit Mussel Rock each day, and reported on the public health concerns due to the current lack of a public toilet.

Bridget Duffy, Evolution Solutions, expressed concern about the unprecedented number of people living in cars or camping tents due to a lack of housing. She pointed out the lack of public facilities for the public, and requested composting and toilets at Mussel Rock. Ms. Duffy thanked the police for their dedication, but warned against more policing at high school campuses.

Jim Laramie, resident, expressed concern about the amount of garbage that have not been collected for weeks in the Jefferson High School area, particularly along Bruno and Station Avenues. As someone who lives in that neighborhood, Mr. Laramie hoped the City could alleviate the issue.

Pamela DiGiovanni, resident, expressed gratitude to the Police and the Council for supporting the establishment of protocol during active shooter incidents to protect the public. She also appreciated the Council wanting to work with the surrounding school districts on this matter.

REPORTS:

Council Committee Meetings

Affordable Housing Committee (Manalo/Sylvester)
Peninsula Clean Energy Committee (Buenaventura)

City Council

Mayor Manalo reported the Recreation and Arts Committee met with community members on February 13th to plan this year's multi-cultural street festival. On February 17th, the Mayor spoke at an event honoring the services of the Filipino World War II Veterans, where the veterans received the replica of the Congressional Gold Medal, and honored a Filipina, Magdalena E. Leones, with the Silver Star. She also attended a program held by the DCPLA featuring noted authors on February 20th, and met with Daly City Partnership on February 22nd to find upward mobility opportunities for families and single mothers. Mayor Manalo encouraged everyone to try a nature hike with San Bruno Mountain Watch, and asked staff to look into the feasibility of designating that area as a Daly City nature park. The Mayor requested Human Resources staff and the City Attorney to codify, through a City Resolution, the City's zero tolerance policy toward any

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type of harassment of an applicant or employee. She also requested of the City Manager an update on the minimum wage. Mayor Manalo announced the dates and locations of the upcoming Cannabis Workshops to gather community input (March 5 at War Memorial, March 13 at Gellert Park Clubhouse, and March 31 at Bayshore Community Center), and encouraged residents to attend and share their thoughts. She reminded the public that the deadline to volunteer for the Grand Jury is March 29th, and mentioned interested individuals can find applications on the County's website.

Councilmember Sylvester reported on the following events: the street fair committee and the discussion of a potential site (February 13th); the San Mateo Mosquito and Vector Control District meeting to discuss their annual report (February 14th); Commute.org's meeting to discuss alternate means of transportation (February 16th); the Student Speaker Contest held by the Daly City Lions District C4 (February 22nd); and the Business to Business Review held by the Daly City/Colma Chamber of Commerce (February 23rd). Councilmember Sylvester was also present at the Council of Cities Meeting hosted by Brisbane wherein Chief Election Officer Mark Church gave a presentation of the new Voters Choice Act (February 24th).

ADJOURNMENT:

Mayor Manalo requested a moment of silence and adjourned the meeting at 8:33 PM in memory of Norman Hin Ngor Fong.

Approved as submitted, this 12th
day of March, 2018.

City Clerk

Mayor



City Council Meeting Agenda Report

Item # _____

Meeting Date: March 12, 2018

Subject: Setting Time and Place of Public Hearing Regarding Linda Vista Area of Benefit Fiscal Year 2018-2019

Recommended Action

Set May 14, 2018, as the date for public hearing to establish the services and assessments for Linda Vista Area of Benefit for Fiscal Year 2018-2019.

Background

The City Council established the Linda Vista Area of Benefit on February 12, 1990, to provide for the maintenance of storm water detention basins and other storm facilities within the Linda Vista and Bay Ridge Subdivisions and the downstream Outfall Channel, through annual Benefit Assessments. It is necessary to re-establish each year the assessment rate for the coming fiscal year.

Discussion

Per the Government code that empowers the City Clerk to proceed, I have set the Hearing for the Linda Vista Assessment District for the Regular City Council Meeting of May 14, 2018, at 7:00 P.M.

All agencies, districts and parties interested will be notified by mail. The Notice of Hearing will also be posted in the Linda Vista Area of Benefit area as well as in City Hall and the public libraries.

Summary/Conclusion

Staff is available to provide any additional information desired by the Mayor or Councilmember.

Respectfully submitted,

K. Annette Hipona

K. Annette Hipona
City Clerk



City Council Agenda Report

Item # _____

Meeting Date: March 12, 2018

Subject: Amend Traffic Regulations to: Establish 33-ft. and 75 ft. passenger loading/unloading (white) zones along the west side of Santa Barbara Avenue in front of Woodrow Wilson Elementary School. (TSR 18/54)

Recommended Action

Recommend the City Council amend the City's traffic regulations to establish 33-ft. and 75 ft. white zones along the west side of Santa Barbara Avenue in front of Woodrow Wilson Elementary School, just south of Theta Avenue, enforceable between the hours of 8:00 a.m. to 8:30 a.m. and 2:30 p.m. to 3:30 p.m. on school days.

Background

On February 7, 2018, the City's Traffic Safety Committee met and reviewed various requests for traffic improvements, signage and pavement markings, and recommended that the City Manager proceed with amending the aforementioned traffic regulations.

Discussion

The principal at Woodrow Wilson Elementary School requested signs be installed to establish the enforcement times for the existing 75-ft. white zone on Santa Barbara Avenue. While reviewing the site conditions, it was recommended that an additional 33-ft. white zone be installed north of the existing loading zone. The additional white zone will help provide for safer drop-off and pick-up of students at Woodrow Wilson Elementary School and will be available for residents to park in the evenings.

Fiscal Impact

Funding is available for the proposed signs and/or markings in the Street Maintenance operating budget 01-314-330-4241 for the current Fiscal Year 2017-2018.

Summary/Conclusion

Recommend the City Council amend the aforementioned traffic regulations.

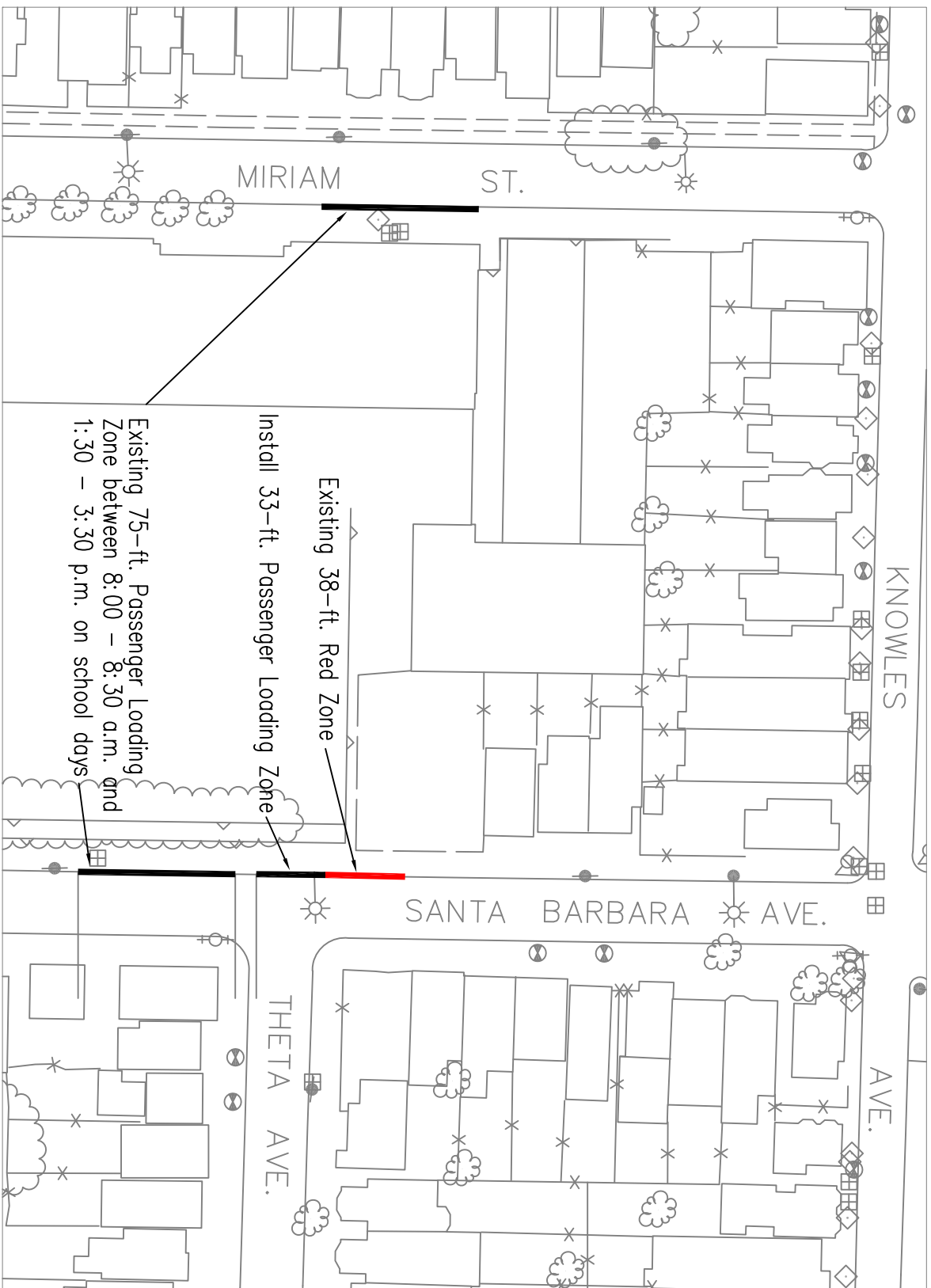
Staff is available to provide any additional information desired by the Mayor or Councilmembers.

Respectfully submitted,

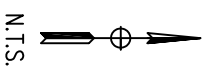
Shirley Chan
Traffic Engineer

John L. Fuller
Director of Public Works

Attachment: Traffic Improvements Location Map



TSR 18-54



THE CITY OF DALY CITY			
CALIFORNIA			
DEPARTMENT OF PUBLIC WORKS			
TRAFFIC IMPROVEMENTS			
Santa Barbara Avenue			
DATE	SCY	DATE	APPROVED
03/18	JLF	03/18	
CREATED	SCALE	SHEET	CITY ENGINEER
SCY	NTS	1 OF 1	TSR 18-54
DESIGNED	SCY	DESIGNED	REVISION
			REV.



City Council Meeting Agenda Report

Item #

Meeting Date: March 12, 2018

Subject: Authorization to Submit Grant Application to City/County Association of Governments (C/CAG) for the 5th Cycle of the San Mateo County Lifeline Transportation Program for the Daly City Bayshore Shuttle Service

Recommended Action

Staff recommends the City Council adopt a resolution supporting the submittal of a grant application to the City/County Association of Governments (C/CAG) of San Mateo County for the Lifeline Transportation Program (LTP) Cycle 5 Call for Projects and appropriate \$245,000 in Measure A Gas Tax for the required matching funds.

Background

Since 2014, the City has operated the Bayshore Shuttle in the Bayshore neighborhood using various grants to finance shuttle operations. The shuttle service connects Bayshore residents with shopping, grocery, and medical destinations in Daly City and in San Francisco. The Shuttle also provides access to Muni and SamTrans bus services and the Balboa Park and Daly City BART stations. The Bayshore Shuttle provides essential services to a neighborhood underserved by public transportation.

The Shuttle has been funded by the San Mateo County Shuttle Program, a joint C/CAG and San Mateo County Transportation Authority (TA) program, and the LTP, a program initiated by the Metropolitan Transportation Commission (MTC) and administered through C/CAG. The annual cost for the Shuttle is estimated to be approximately \$240,000 to \$270,000 and includes shuttle operation costs, marketing, and administrative overhead.

In the past, these two grant programs have funded 100% of the cost of the Shuttle. Most recently in November 2015, C/CAG, through the LTP Cycle 4, awarded Daly City's Bayshore Shuttle \$559,704 for shuttle operations. In May 2016, the TA, through the San Mateo County Transportation Authority Program, awarded Daly City \$104,500 for shuttle operations.

Discussion

The LTP is intended to fund projects that result in improved mobility for low-income residents of the nine San Francisco Bay Area counties. The LTP in San Mateo County is administered by C/CAG, the county congestion management agency (CMA). C/CAG's 5th Cycle LTP Call for Projects includes approximately \$1.2 million in State Transit Assistance (STA) funding for a two-year period. The grant maximum per shuttle is \$500,000 and applications are due on March 23, 2018. A minimum of 20% local match must be provided.

The LTP grant will be used to continue the operation of the Bayshore Shuttle service, connecting Bayshore residents with destinations and transportation networks in Daly City and San Francisco. If approved, staff will submit an application requesting approximately \$300,000 in LTP funding, which will cover 55% of the expected cost to operate the shuttle for FY 2018/19 and FY 2019/20.

**Authorization to Submit Grant Application to C/CAG for the
5th Cycle of the San Mateo County Lifeline Transportation
Program for the Daly City Bayshore Shuttle Service
Meeting Date: March 12, 2018
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The total estimated cost to operate the Bayshore Shuttle for the next two years is \$545,000 and matching funds in the amount of \$245,000 are required at the time of application submittal. On January 22, 2018, Council authorized staff to submit a grant request for the San Mateo County Shuttle Program and if successful, the grant funds can be used as the matching funds for the LTP grant. In the event that the City does not receive grant funds from the San Mateo County Shuttle Program, the City will use Measure A Gas Tax funds for the required match. If the City is awarded grant funds from the San Mateo County Shuttle Program, staff would return the Measure A Gas Tax to reserves.

Fiscal Impact

If successful, and upon award of the LTP grant funds, staff would request the City Council appropriate the grant funds to the Bayshore Shuttle program. Staff is also requesting that the Council appropriate \$245,000 from Measure A Gas Tax for the required matching funds

Summary/Conclusion

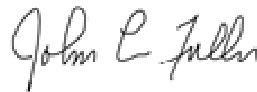
Staff recommends that the City Council authorize staff to submit a grant application to C/CAG for the Lifeline Transportation Program 5th Cycle Call for Projects to continue operation of the Bayshore Shuttle. Staff also recommends that the City Council appropriate \$245,000 from Measure A Gas Tax for the required matching funds.

Staff is available to provide any additional information desired by the Mayor or City Council Members.

Respectfully submitted,



Shirley Chan
Traffic Engineer



John L. Fuller
Director of Public Works



City Council Agenda Report

Item # _____

Meeting Date: March 12, 2018

Subject: Setting Time and Place for Public Hearing to Consider Five-Year Consolidated Plan for FY 2019-23 and One-Year HUD Action Plan for Fiscal Year 2018-19

Recommended Action

Set a Public Hearing for Monday, April 23, 2018 for the purpose of citizen review and comment on Daly City's Five-Year HUD Consolidated Plan for Fiscal Years 2018-19 through 2022-23 and the One-Year Action Plan under the Community Development Block Grant (CDBG) and HOME programs for FY 2018-19.

Background

The Five-Year HUD Consolidated Plan provides a blueprint for the City's Housing and Community Development activities. The Plan includes an extensive evaluation of needs, sets priorities and identifies types of activities that will be carried out utilizing Community Development Block Grant (CDBG) and HOME programs for the years 2018-19 through 2022-23. The One-Year Action Plan describes the specific allocation of CDBG and HOME funds to various activities for FY 2018-19. Prior to Council adoption of the Five-Year and One-Year plans, the Department of Housing and Urban Development (HUD) requires the City to hold a public hearing to allow for citizen comment on proposed priorities, activities and funding levels.

Discussion

CDBG funds can be used for various activities including Administration, Economic Development, Capital Projects, Housing and Public Services. HOME funds may be used for activities that expand the supply of decent, affordable housing for lower income families.

Pursuant to the City's Citizen Participation Plan, the draft Five-Year Consolidated Plan and the One-Year Action Plan will be available at City Hall and all City libraries for a 30-day review and comment period beginning March 22, 2018 through April 23, 2018. Notice of the availability of this document and a summary of the draft Action Plan will be published in *The Examiner Peninsula* and made available on the City's web site.

Staff is available to provide additional information desired by the Mayor or Council Members.

Respectfully Submitted,

Betsy ZoBell
Housing and Community Development
Supervisor

Tatum Mothershead
Director of Economic and Community
Development



CITY OF DALY CITY INTER-OFFICE MEMORANDUM

DATE: March 5, 2018

TO: See Below

FROM: Angie Padilla, City Manager's Office

SUBJECT: MEETING NOTICE

AP

RE: Council Committee - Affordable Housing
EMERGENCY MEETING
Acquisition of 16 Units (E. Moltke) for Low Income Households

DATE: Tuesday, March 6, 2018

TIME: 2:30 p.m. – 3:30 p.m.

PLACE: Administrative Conference Room
City Hall

ATTENDING:

City Participants:

Juslyn C. Manalo, Mayor

Glenn R. Sylvester, Councilmember

Patricia E. Martel, City Manager

Rose Zimmerman, City Attorney

Tatum Mothershead, Dir. of ECD

Betsy Zobell, HCD Supervisor

Lenelle Suliguin, Housing Coordinator

Other Participants:

cc: City Council

DALY CITY INTER-OFFICE MEMORANDUM

DATE: March 5, 2018

TO: Mayor Juslyn C. Manalo and Councilmember Glenn Sylvester

FROM: Tatum Mothershead, Director of Economic and Community Development
Betsy ZoBell, Housing and Community Development Supervisor

SUBJECT: Subsidy Financing for HIP Housing Acquisition of 16 Units Located at 115-131 E. Moltke

Staff is seeking direction from the Affordable Housing Committee on a request from HIP Housing for Housing Trust Fund subsidy financing for acquisition of 16 apartment units located at 115-131 E. Moltke.

Recommended Action

Appropriate up to \$2.9 million in Housing Trust Fund to HIP Housing for acquisition and rehabilitation of 16 units located at 115 -131 E. Moltke Street. and authorize execution of a Conditional Loan Agreement with HIP Housing and enter into a contract to transfer 260 Abbot to HIP Housing contingent upon successful negotiation of transfer and deed restriction terms.

BACKGROUND

Over the last two years rising rents and growing demand for housing has resulted in a critical shortage of housing affordable to households of all income levels. In particular, lower income rental households are negatively affected by these conditions. Staff estimates that over 1,000 households have been displaced due to a shrinking supply of housing affordable to households earning less than 60 percent of the Area Median Income for San Mateo County (Approximately \$70,000 per year for a household of three persons).

Pursuant to the priorities set in the draft Housing Trust Fund Policy and Procedures Manual, the City's Housing Element and the City's Five-Year HUD Consolidated Plan, staff has devoted significant effort to identifying opportunities to develop and preserve affordable rental housing in Daly City. Over the last year, and in consultation with real estate professionals, staff has been unable to identify any multifamily rental properties with 4 or more units available for sale.

In February of this year, HIP Housing contacted the City about the opportunity to purchase 16 units located at 115 through 131 E. Moltke. HIP Housing is an experienced non-profit housing

developer with over 240 units in their portfolio including 18 units located at 1293 Hillside. In addition, HIP Housing's parent organization, Human Investment Project (HIP) is a respected social service agency providing a variety of services to assist low income renters, including a homesharing program, various housing scholarship programs and extensive housing counseling services.

HIP Housing has already entered into a purchase contract for the subject properties. The sale is scheduled to close on March 15, 2018. Real estate sales that close with short escrow periods are an unfortunate characteristic of the current extremely competitive real estate market. Properties suitable for affordable housing development or preservation are rarely advertised and generally are sold with little opportunity for buyer due diligence. Fortunately, HIP Housing has a relationship with an investor who has agreed to serve as assignee for the sale with an agreement to transfer the property back to HIP Housing when they are able to finalize various funding resources and the extent of rehabilitation needs.

HIP Housing has submitted a request for funding from Daly City to subsidize their acquisition of the E. Moltke properties. The City's commitment to provide "first in" funding will provide HIP Housing and the investor with a confidence level to proceed with property acquisition and negotiation of other funding sources.

HIP has described two acquisition/subsidy options:

- Daly City subsidy financing in the amount of \$3.2 million for acquisition/rehabilitation of the 16 E. Moltke units
- Daly City subsidy financing in the amount of \$2.9 million for acquisition/rehabilitation of the 16 E. Moltke properties AND transfer of the City's 5 units located at 260 Abbot, contingent upon negotiation of transfer and deed restriction terms.

Staff has reviewed financial data submitted by HIP Housing and has enlisted the firm of Devine & Gong, a consulting firm with expertise in the acquisition, rehabilitation and operation of affordable housing projects, to assist with evaluation of the funding request. Based on an initial review, the potential acquisition and use of Daly City Housing Trust Funds to subsidize the acquisition appears to be consistent with the priorities and policies identified in the draft Housing Trust Fund Policy and Procedures Manual.

The proposed acquisition represents a rare opportunity to create a new permanently affordable housing asset in Daly City and will prevent the likely displacement of 16 existing renter households.

DISCUSSION

Acquisition by HIP Housing of the 16-unit E. Moltke units represents a rare opportunity to create permanently affordable housing. Given the preference for further due diligence review of the project, it is recommended that Daly City Housing Trust Funds be offered in the form of a conditional loan with a 12-month term. This will allow staff and the developer to determine

building rehabilitation needs, current household incomes and the availability of other financing resources prior to executing final loan documents with mutually agreeable loan and affordability requirement terms.

FISCAL IMPACT

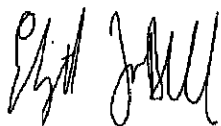
Provision of up to \$2.9 million in Daly City Housing Trust Fund resources will have no General Fund impact. Given current Trust Fund deposits and commitments, an allocation of \$2.9 million to the HIP Housing acquisition of the E. Moltke properties will leave approximately \$100,000 for other Trust Fund priorities. Staff estimates that additional deposits to the Trust Fund based on currently entitled projects will total approximately \$1.6 million over the next two years.

RECOMMENDATION

Given the critical need for rental housing affordable to lower income households, the extreme scarcity of acquisition opportunities, providing up to \$2.9 million to HIP Housing for the purchase and operation of the properties located at 115-131 E. Moltke is a rare opportunity to preserve and improve affordable housing in Daly City. Based on an initial review of HIP Housing's application, the proposed acquisition meets the criteria for Daly City Housing Trust Fund investment described in the draft Housing Trust Fund Policy and Procedures Manual

Staff recommends appropriation of \$2.9 million from the Housing Trust Fund for the purpose of acquisition and rehabilitation of the properties located at 115 -131 E. Molke. These funds will be offered in the form of a conditional loan agreement. Final loan terms and affordability requirements will be reflected in a permanent loan and affordable housing agreements between the Housing Development Finance Agency and HIP Housing. These permanent agreements will be presented for consideration by the Agency Board within the next 12 months...

Respectfully submitted,



Betsy ZoBell
Housing and Community
Development Supervisor



Tatum Mothershead
Economic and Community
Development Director