



STAFF REPORT

STUDY SESSION HOUSING ENDOWMENT AND TRUST OF SAN MATEO COUNTY (HEAT-SMC- SMC)

Honorable Mayor and Council members:

Introduction

Since February 2002, the San Mateo County Board of Supervisors and others have studied the feasibility and implications of establishing a housing trust fund for the entire County. (It is officially named the Housing Endowment and Trust of San Mateo County, or "HEAT-SMC"). The purpose of the trust is to raise and leverage public and private money as an on-going funding source for the development of housing. As part of the County government's commitment to the concept, Board of Supervisors allocated three million dollars (\$3,000,000) in seed money for the trust from reserves. HEAT-SMC's goal is to raise \$100 million over ten years.

Supervisors Rose Jacobs Gibson and Rich Gordon have been coordinating the County's efforts, and in November 2002 convened a Development Group to study and identify the issues surrounding the creation and operation of the trust. Based on this study, the Board has sought the participation of the County's twenty cities to join the Trust. Eight cities have agreed to participate thus far. The Board is now seeking Belmont's participation, and tonight's study session is intended to provide information about the Trust and allow the City Council an opportunity to decide if it wishes to join HEAT-SMC.

Discussion

Staff has gathered several attachments that describe the purpose and proposed operation of the trust, as follows:

- A. San Mateo County HEAT-SMC – Frequently Asked Questions (FAQ)
- B. HEAT-SMC – Development Group Final Report – November 2002
- C. HEAT-SMC – Benefits of Membership (prepared by San Mateo County)
- D. HEAT-SMC – JPA Members and Supporters (as of 8/13/03)

Staff has reviewed the materials and believes that the concept has the potential to assist in the creation of additional housing throughout San Mateo County. It should be acknowledged that HEAT-SMC is a concept at this point, with a good deal of work remaining in defining the rules, procedures and budget under which the trust would operate. However, two general topics have been preliminarily decided: Authority and start-up funding.

It is proposed that a Joint Powers Authority be established by the participating jurisdictions to control the Trust. The JPA would include a Board composed of twenty-one members, including nine city representatives.* Other representatives include two County officials, and ten members from the community, businesses and not-for-profits. By participating in the Joint Powers Authority (JPA), the City of Belmont will be assured of having a voice in how the funds are raised and spent.

A second consideration in deciding whether or not to join HEAT-SMC is the potential cost to the City. Ultimately, the aim of the Trust is to create a pool of funds from state, federal and private sources that can be loaned for new housing construction and rehabilitation of existing housing. However, the Trust will need an infusion of start-up money to begin the fundraising effort. The start-up funds are envisioned to be provided by participating local governments. The exact amount is not known at this time. It is suggested that the administrative start-up costs be shared among participating jurisdictions on a pro-rata basis, such as population. Using certain assumptions, the following analysis is offered as an estimate of Belmont's share:

Total Estimated Administrative Start-up Costs (Year 1):	\$175,000 to \$250,000
Total Population of Participating Jurisdictions, as of 8/13/03	
- County of San Mateo (unincorp.), Burlingame, Daly City, East Palo Alto, Hillsborough, Menlo Park, San Carlos, San Mateo	
plus Belmont:	409,493
Belmont's Population as a Percentage of Total Participants' Population	
25,123 ÷ 409,493 =	6.14%
Estimated Share to Belmont of Administrative Start-up Costs (Year 1):	
\$175,000 to \$250,000 x 6.14% =	<u>\$10,750 to \$15,350</u>

If additional cities join, the per-city cost would be reduced. The Joint Powers Authority would have the duty to prepare a yearly spending plan to determine the actual administrative budget and City assessment.

Staff has investigated if Belmont Redevelopment Agency's Low and Moderate Income Housing Fund might be used for the City's share of HEAT-SMC's administrative costs. Our redevelopment attorney has indicated that that California redevelopment law does not permit the use of LMI funds for this purpose. We are recommending that the Council expect that any

*Staff notes that Belmont could be the eighth city to join the JPA. If additional cities also agree to participate, one or more cities may not have a vote on the JPA Board. It is suggested that a Standing Sub-committee of cities not on the JPA Board be created to provide input to the Board – See Attachment A.

expenditure by the City toward HEAT-SMC's administrative expenses will come from the City General Fund, not the RDA.*

Financial Impact

Uncertain, but anticipated to be between \$10,000 and 15,000. At present, there are no funds budgeted in the FY 2003-04 for this purpose. If the City Council chooses to participate in HEAT-SMC, the City's share of the Trust's administrative expenses would be paid from the Council's Contingency Account (#101-4105-8599); adequate funds are available.

Recommendation

Staff recommends that the City Council provide direction regarding the City of Belmont's participation in HEAT-SMC. If the Council wishes to participate using City General Funds, a resolution has been provided on tonight's regular consent agenda. If the Council wants to participate only if RDA LMI funds can be used, staff will obtain a final determination and report to the RDA with any appropriate resolutions.

Attachment

- A. San Mateo County HEAT-SMC – Frequently Asked Questions (FAQ)
- B. HEAT-SMC – Development Group Final Report – November 2002
- C. HEAT-SMC – Benefits of Membership (prepared by San Mateo County)
- D. HEAT-SMC – JPA Members and Supporters (as of 8/13/03)

Respectfully submitted,

Craig A. Ewing
Planning and Community Development Director

Jere A. Kersnar
City Manager

* It is staff's assumption that the Council would prefer to use RDA LMI funds if it can be determined that use of such funds for the Trust is allowed. Since some of the participating cities have preliminarily indicated that they may use their Redevelopment Agencies' LMI funds for HEAT-SMC's administrative expenses, staff is investigating this further. However, at this time we are presenting this program for the Council's consideration only as a City – not RDA – expenditure item.