



# ANNUAL REPORT FY2021-22

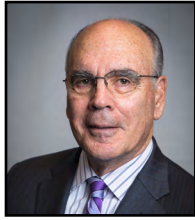
**The Housing Endowment and Regional Trust of San Mateo County**





# BOARD OF DIRECTORS

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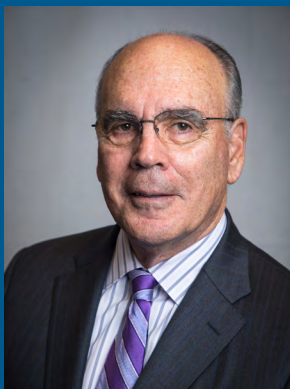
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**Don Horsley**  
Chair, Board of Directors



**Armando F. Sanchez**  
Executive Director

Dear Neighbor,

According to CoStar, a leading provider of commercial real estate information, apartment rents in San Mateo County will increase by 12% between June 2022 and June 2023. CoStar predicts further rent increases of 4% to 5% annually through 2027. This means that cumulatively rents will be about 21% higher in 2027 than they are today.

While wages will increase for some people, it's hard to envision everyone's wages will increase by 21% over the next few years to keep up with rent growth. To put it simply, we're going to need even more affordable housing, and we're going to need more ways to produce it faster. At HEART, we're working to do this: helping to create more affordable housing through traditional methods and finding new, innovative ways to preserve and produce more.

This year, HEART made a \$3.8 million loan to assist with the development of 225 units of affordable housing at the Kiku Crossing project in the City of San Mateo. We're in conversations with several developers now and expect to fund several new predevelopment loans in 2022-23. This past year we also converted a predevelopment loan at Habitat for Humanity's 612 Jefferson Avenue project in Redwood City into homebuyer loans. Five residents received zero-interest HEART loans to help them purchase their Habitat for Humanity homes.

We are also excited to announce that HEART's Board of Directors approved a housing preservation program for HEART. This program will allow us to establish a public land trust. HEART hopes to acquire a variety of residential properties and ensure their permanent affordability through permanent public ownership. To facilitate our work in this area and to help other agencies seeking to preserve affordable housing, the State of California, under the Local Housing Trust Fund (LHTF) Program, recently awarded \$1 million to HEART for affordable housing preservation.

With the launch of a new program and several potential loans in the works, we expect a busy and productive 2022-2023. To all our contributors and supporters, we thank you for your continued trust in HEART. Your support is meaningful and makes our work possible.

Sincerely,

**Don Horsley**  
Chair, Board of Directors

**Armando F. Sanchez**  
Executive Director



Photo: Eden Housing



# FUNDED PROJECTS



## KIKU CROSSING

**Units:** 225 units

**Location:** San Mateo

**Developer:** MidPen Housing

**HEART Loan:** \$3,800,000

**Status:** Under construction



**Kiku Crossing**, located at 400 East 5th Avenue in San Mateo, demonstrates the City's commitment to going big in addressing the housing needs of various groups. The project broke ground in January 2022 and will be seven stories tall and contain 225 affordable rental homes. It also includes a five-story parking garage structure that will provide 164 spaces reserved for residents and 529 public spaces for downtown visitors and workers. The expected completion date is Spring 2024.

Kiku Crossing will provide homes for a range of low-income individuals and families, from those that earn less than 30% of the area median income to those who earn 80% of the median income. It will also serve diverse populations. Of the 225 affordable homes, the project will include 22 units for formerly homeless households, eight units for individuals with intellectual and developmental disabilities, and 57 units for public employees.

HEART's participation in the Kiku Crossing project extends back to spring 2020. When Mid-Pen conceived of the project at the cost of

more than \$167 million, its largest project closing ever, it was clear they would need funding from many partners to make this work. As a regional housing trust, HEART was well positioned to apply for a grant from the State of California's Department of Housing and Community Development Local Housing Trust Fund (LHTF) program. The LHTF program is very competitive, but using HEART's regional trust status, which garnered extra points, and by paring Kiku with projects in Daly City and East Palo Alto, HEART successfully secured a \$5 million grant for three projects. With the LHTF grant and local matching funds from the City of San Mateo, HEART was able to provide a \$3.8 million loan to Kiku Crossing, HEART's largest loan to date.

We are proud to be partners in this great project and excited to see a significant development of this size that is 100% affordable. As a transit-oriented development, with a seven-minute walk to both the San Mateo Caltrain station and buses on El Camino Real, and with proximity to downtown shopping and many amenities such as the City's main library and Central Park, we are sure the residents of Kiku will appreciate everyone's effort in making this project possible.

## \$1 Million State Grant for Affordable Housing Preservation



To help preserve Naturally Occurring Affordable Housing ("NOAH") properties in San Mateo County, HEART successfully applied for and received a \$1 million grant from the State of California under the Local Housing Trust Fund (LHTF) Program. Out of 24 applicants across the State, HEART was the only agency seeking funding for housing preservation. With HEART's matching funds, we now have \$2 million in equity capital for the NOAH portion of HEART's Middle-Income Housing Bond Program.

Paring HEART's capital equity with conventional financing, we hope to work with a partner to acquire a small apartment building to pilot HEART's NOAH acquisitions in San Mateo County.

## Preservation Program

With California's affordability crisis worsening, HEART's Board of Directors saw the need to find new ways to preserve and create affordable housing. In May 2022, the Board established the Middle-Income Housing Bond Program. Under the Bond Program, HEART will issue bonds and acquire multi-family residential buildings to create affordable housing.

With the Middle-Income Housing Bond Program, HEART is using the Community Land Trust model principles to establish a public land trust that creates and sustains affordable housing for San Mateo County residents. This effort will also include the acquisition of small apartment buildings, such as Naturally Occurring Affordable Housing ("NOAH") properties, to stop the displacement and eviction of low-income and minority residents.

# PROGRAMS

## HEART's ADUs Are a Hit!

HEART launched its Green Accessory Dwelling Unit Resource (GLADUR) program offering free green Accessory Dwelling Unit (ADU) designs in May 2021. Since then, over 400 plans have been downloaded!

**About the GLADUR Program:** With Open Scope Studio Architects and support from the Bay Area Air Quality Management District, HEART produced four sets of green, all-electric ADU construction plans available online to the public at no cost. Custom ADU designs average \$10,000 to \$30,000 and require an extensive development process, but HEART's free ADU designs save crucial time and money, removing a roadblock that prevents homeowners from building ADUs.

By reducing the initial cost, HEART's GLADUR program makes it possible for homeowners to reinvest a portion of their savings into better, energy-efficient appliances and renewable energy. While boosting affordable housing in San Mateo County is the primary goal, HEART's designs have added environmental and sustainability features that reduce greenhouse gases and energy bills.



**400 PLAN  
DOWNLOADS**



**295 DOWNLOADS IN  
San Mateo County**  
56 Other Bay Area  
39 Rest of CA  
18 Outside of CA



**88 PLANNING TO  
Rent out their ADU**  
33 to friends/family • 55 to others

**283** Downloading for themselves  
**124** Downloading for someone else

**ADU Pre-Reviewed Cities Program:** HEART made it even easier to build GLADUR plans by partnering with local cities to reduce approval times for homeowners and streamline the permitting process. See the list of cities at [heartofsmc.org/programs/adu-center/](https://heartofsmc.org/programs/adu-center/).

**ADU Comprehensive Handbook:** Working with Solutions 2050, HEART developed a comprehensive green ADU handbook, available for free. Homeowners can use it with GLADUR designs or to guide their own designs. This handbook provides background information on environmental and livability issues, sustainable features, building materials, the development process (from budgeting through permitting), financing options, and other resources.

## FirstTime Homebuyer Limits Increased!

In response to higher housing costs and the challenges of the current market, in early 2022, HEART's Board approved significant changes to the FirstTime Homebuyer Program. Our program now allows new homebuyers in San Mateo County to purchase homes for up to \$1,213,500. This is a 33.6% increase from the previous maximum home price of \$908,156. To accompany the increase in the maximum home price, the program now offers up to \$182,025 as a down payment second loan.

To help more middle-income families purchase a home we have also increased the qualifying maximum household income from \$170,000 for all households to \$180,000 for a single-person household and \$220,000 for households of two or more.

### About the FirstTime Homebuyer Program

San Mateo County is one of the most expensive places in the country to buy a home. HEART's program is designed to help low- and middle-income residents and workers of San Mateo County stay in the County by purchasing their first home. HEART's program does this by offering a down payment assistance loan of up to 15%, allowing the homebuyer to only need a 5% down payment and pay zero Private Mortgage Insurance ("PMI").

First Time Homebuyer	2021-2022	All Time Totals
Workshops Held	2	19
Workshop Attendees	86	874
Homebuyer Loans	5	115
Amount Loaned	\$500,000	\$16,871,172

## HEART Partners with Habitat for Humanity

In partnership with Habitat for Humanity Greater San Francisco ("Habitat"), HEART funded five new first time homebuyer loans at the newly completed 612 Jefferson project in Redwood City.

In 2014, HEART provided a \$500,000 loan to help Habitat acquire the property. The project, completed in mid-2022, is a 20-unit, six-story development comprised of five one-bedroom units, ten two-bedroom units, and five three-bedroom units. All units were sold to low-income residents earning 60%-80% of the Area Median Income (AMI).

HEART's initial funding was not only critical in helping Habitat build its first podium style homes, but is now being utilized to help low-income families purchase their first home. Upon completion of the project, HEART rolled its initial 2014 acquisition loan into first-time homebuyer loans. HEART's funds provided five new homebuyers with zero-interest mortgages. HEART's loans make it possible for these homebuyers to pay 30% their income towards housing and call Redwood City their new permanent home.

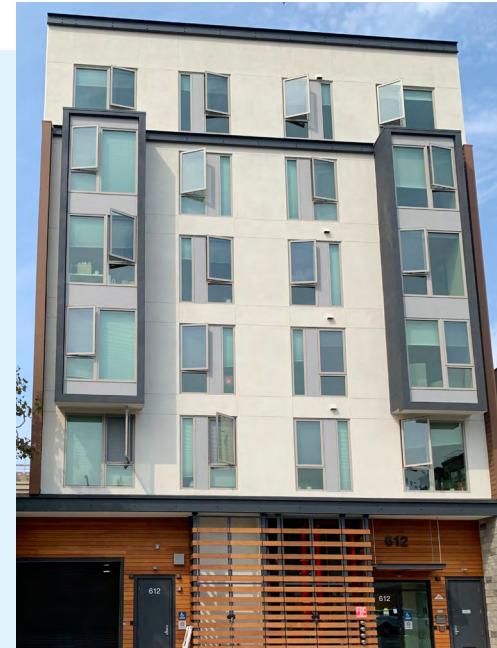


Photo: Jen Rosas



**Habitat  
for Humanity®**  
Greater San Francisco



# THANK YOU!

## ANNUAL NETWORKING & FUNDRAISING EVENT

Thank you to all of the sponsors, community members, and volunteers who attended the return of our in-person Annual Networking and Fundraising Event on May 26, 2022. With over 200 attendees, it was a wonderful celebration and reunion of our many collaborators and supporters.

**MEDIA SPONSOR** San Francisco Business Times

**LOCATION SPONSOR** Devil's Canyon Brewery

## Thank you to our generous sponsors and donors.

We are proud of and grateful for the broad financial support we receive from a diverse group of organizations and individuals.

These funds allow HEART to leverage its Trust Fund to assist developers with the acquisition of land, to help with the predevelopment and construction of affordable housing for low- and middle-income families, and to help families purchase their first home.

HEART also relies on the commitment of our member agencies for Trust Fund development. These assets allow us to lend or make funding commitments to housing projects in San Mateo County as well as to maintain our lean operations and administration costs.



Photos: Scott Buschman

### \$10,000-50,000

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Donna Colson  
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### Up to \$249

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Rick Bonilla  
Veronica Butterfield  
Pamela Frisella  
Ralph Garcia  
Diane Howard

Karon Knox Franzella  
Alexander Kobayashi  
Jack Matthews  
Sara McDowell  
Deborah Miramontes  
Mark Nagales

# FINANCIAL STATEMENT

## STATEMENT OF ACTIVITIES

For the Years Ended June 30, 2022 and 2021 \*

REVENUES	2022	2021
Operating Grants and Contributions		
Member Agencies	\$236,280	\$236,280
Donors	\$4,165,177	\$302,996
Charges for services	\$23,078	\$5,300
General Revenues		
Investment Earnings	\$58,889	\$262,058
PPP Loan Forgiveness	\$62,500	\$41,666
<b>TOTAL REVENUES</b>	<b>\$4,545,924</b>	<b>\$848,300</b>
<b>EXPENSES</b>	<b>2022</b>	<b>2021</b>
General Management and Programs	\$524,837	\$574,931
Legal Services	\$24,816	\$13,455
Interest on Long-Term Debt	\$44,960	\$43,411
Miscellaneous	\$0	\$135
<b>TOTAL EXPENSES</b>	<b>\$594,613</b>	<b>\$631,932</b>
Change in Net Positions	\$3,951,311	\$216,368
<b>Net Positions - Beginning</b>	<b>\$11,478,340</b>	<b>\$11,261,972</b>
<b>Net Positions - Ending</b>	<b>\$15,429,651</b>	<b>\$11,478,340</b>

\* 2021 & 2022 Audited Financial Statements

## STATEMENT OF NET POSITIONS

For the Years Ended June 30, 2022 and 2021 \*

ASSETS	2022	2021
Cash and Cash Equivalents	\$8,053,608	\$3,930,872
Receivables (net)		
Interest	\$1,118,907	\$1,155,474
Loans	\$10,512,573	\$9,542,123
Accounts	\$533	\$41,770
Temporarily Restricted		
Cash and Cash Equivalents	\$411,932	\$411,726
<b>TOTAL ASSETS</b>	<b>\$20,097,553</b>	<b>\$15,081,965</b>
<b>LIABILITIES</b>	<b>2022</b>	<b>2021</b>
Accounts Payable	\$47,902	\$41,125
Long-Term Liabilities	\$4,620,000	\$3,562,500
<b>TOTAL LIABILITIES</b>	<b>\$4,667,902</b>	<b>\$3,603,625</b>
<b>NET POSITION</b>	<b>2022</b>	<b>2021</b>
Restricted for Home Buyer		
Program Pledge Account	\$411,932	\$411,726
Unrestricted	\$15,017,719	\$11,066,614
<b>TOTAL NET POSITION</b>	<b>\$15,429,651</b>	<b>\$11,478,340</b>



## MEMBER AGENCIES

Thank you to the Cities and County for your partnership.

Town of Atherton	City of Foster City	City of Redwood City
City of Belmont	City of Half Moon Bay	City of San Bruno
City of Brisbane	Town of Hillsborough	City of San Carlos
City of Burlingame	City of Menlo Park	City of San Mateo
Town of Colma	City of Millbrae	City of South San Francisco
City of Daly City	City of Pacifica	Town of Woodside
City of East Palo Alto	Town of Portola Valley	County of San Mateo

HEART is a joint-powers authority (JPA). The County and all twenty cities and towns in San Mateo County are members of HEART.

## HEART STAFF


**Armando Sanchez** Executive Director

**Boris Vatin** Senior Program Manager

**Jen Rosas** Business Manager



## CONNECT WITH US

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 [heartofsmc.org](http://heartofsmc.org)

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# HEART

## OF SAN MATEO COUNTY

Since 2003

**The Housing Endowment and Regional Trust of San Mateo County**

2905 S. El Camino Real, San Mateo, CA 94403