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Report regarding a resolution authorizing the City's acquisition of the Below Market Rate (BMR) unit at 2210 Gellert Boulevard, Unit 5107 (APN 104-470-070), and approving Budget Amendment Number 27.002. (*Elia Moreno, Housing Management Analyst I)*

RECOMMENDATION
Staff recommends that the City Council adopt a resolution authorizing the City's acquisition of the Below Market Rate (BMR) housing unit located at 2210 Gellert Boulevard, Unit 5107 (APN 104-470-070) using the City's Commercial Linkage Fee Fund (Fund 823), and approving Budget Amendment Number 27.002.

BACKGROUND
The City of South San Francisco's (City) Inclusionary Housing Ordinance (Municipal Code Chapter 20.380) creates Below Market Rate (BMR) housing units within both ownership and rental developments. This ordinance serves to increase the amount of housing affordable to low and moderate-income households in South San Francisco. When for-sale BMR units are newly constructed and undergo their initial sale, each unit's initial sale price is calculated based on a complex formula. Specifically, this initial pricing process takes into account the Area Median Income (AMI) level the unit is targeted at, the current interest rate expected on a 30-year, fixed-rate mortgage, a 5% to 10% down payment, private mortgage insurance rates, homeowners' insurance, and homeowners' association dues. When BMR units are resold, the sale price is calculated much more simply and intended to provide the seller with some modest equity earnings. In the case of resales, the new sales price is indexed to the change in AMI since the unit was last sold.

The City controls the resale price and resale procedures of for-sale BMR units through resale restriction agreements and rights of first refusal, documents which are executed between the BMR owner and the City and recorded against the property. These documents give the City opportunities to buy the unit upon the owner's intention to sell the unit or to assign that right of first refusal to a new income-qualified buyer. This ensures the unit remains affordable for future households, preserving the City's diverse affordable housing stock. The City has approximately 100 for-sale BMR units located throughout the City and normally between 5 and 10 are refinanced or resold each year. In the instance of nearly all resales, the City assigns its right of first refusal to purchase the unit to an income-qualified buyer identified through a marketing, application, and lottery process facilitated by the seller and their agent and supervised by the City and its consultants.

DISCUSSION
On March 29, 2026, the City received a Notice of Intent to Sell from the owner of the one-bedroom, one-bathroom BMR unit located at 2210 Gellert Boulevard, Unit 5107, in South San Francisco for the resale amount of $603,068. The resale restrictions typically include a period of time that the owner must attempt to sell a BMR to an income-qualified buyer, after which, either the City must purchase it or the owner may sell it to any buyer at market rate, removing BMR limitations. For this specific unit, the owner was required to market the property for a 21-day period. The owner agreed to extend the marketing for an additional 14-day period, but, unfortunately, no eligible applications were received.

To take action to intervene to prevent the market rate sale of the unit, staff recommend executing the City's right to purchase and taking title of the unit. Staff are requesting that the City Council authorize the use of Commercial Linkage Fee Funds (Fund 823) to purchase the unit. Once purchased, the property will be placed back on the market with the City Council having the authority to market to the affordability level of their choice.

Executing the City's purchasing right of this unit and preserving its status in the BMR program assists in promoting affordable housing within the City. The loss of BMR units eliminates affordable housing opportunities for low- to moderate- income residents, and we hope to do all we can to continue to make affordable housing available to residents.

FISCAL IMPACT

The Commercial Linkage Fee Fund (Fund 823) has sufficient funds for this transaction, with a budgeted available fund balance of $4.1 million for this transaction of $603,068. This Fund will be used to pay all costs related to the preservation and resale of the subject property, which include acquisition of the property and HOA fees. The proceeds from the resale will be replenished back into Fund 823.

RELATIONSHIP TO CITY COUNCIL PRIORITIES ACTION PLAN

Approval of this action will contribute to the City Council Priorities Action Plan Major Focus Area of Housing and Supportive Services, Key Strategy of encourage balanced housing supply.

CONCLUSION

Staff recommends that the City Council adopt the accompanying resolution authorizing the City's acquisition of the Below Market Rate (BMR) housing unit located at 2210 Gellert Boulevard, Unit 5107 (APN 104-470-070) using the City's Commercial Linkage Fee Fund (Fund 823), and approving Budget Amendment Number 27.002.