



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Department of Housing



Date: March 11, 2015
Board Meeting Date: April 14, 2015
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: William Lowell, Director

Subject: Loan forgiveness for Family Crossroads transitional housing

RECOMMENDATION:

Adopt a resolution authorizing the Director of the Department of Housing to forgive acquisition and rehabilitation loans made to MidPen Housing for the Family Crossroads transitional housing facility totaling \$1,334,903.79.

BACKGROUND:

In 1987, Shelter Network, now InnVision Shelter Network (IVSN), decided to purchase an apartment building in Daly City for use as a transitional housing development. Discussions with Mid-Peninsula Housing Corp., now MidPen Housing, arrived at an arrangement whereby MidPen purchased the facility and leased it to Shelter Network, simplifying the acquisition process for a relatively new non-profit provider of homeless services. MidPen applied for and received a \$1,086,275 loan from the County's CDBG entitlement at 0% interest for 30 years, dated June 16, 1987.

In 1994, MidPen secured a second loan from the County's CDBG entitlement in the amount of \$387,920 for rehabilitation work to be performed at the facility at 3% interest for an indefinite term. In July, 1995, \$139,291.21 was paid to the County from the City of Daly City, leaving a balance of \$248,628.79. In August, 2013, the Department of Housing agreed to forgive any interest accrued on the loan and reduce the interest rate to 0%.

MidPen Housing and IVSN have now entered into an agreement to transfer the property to IVSN. The County has agreed to a new \$250,000 loan at 0% interest for 30 years to assist with the rehabilitation of the property and to a \$2.2 million loan from the Affordable Housing Fund at 0% interest, forgiven at a rate of 10% every three years, completely forgiven by year 30, unless the property is sold for another use, in which case the entire principal will be due. In the process of restructuring the debt on the property, MidPen and IVSN have requested forgiveness of the first two loans.

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DISCUSSION:

First opened in 1988, Family Crossroads is a Mid-Term Transitional Housing facility located at 50 Hillcrest Drive in Daly City, California that serves homeless families including children. The site consists of 14 apartments and serves an average of 170 people annually. All of those served are extremely low-income, with a median annual income at program entrance of \$12,012 last year. The population served at Family Crossroads is comprised of diverse individuals: 41% Hispanic, 22% Black, 14% Pacific Islander, 20% White, and the remaining 36% Other.

The building, which is IVSN's original site, was constructed in 1963. In 1987 the property was acquired by MidPen Housing Corporation, with the intention of leasing the property to IVSN. IVSN has leased the property for over 25 years and it has served as a shelter for homeless populations. MidPen and IVSN are in the process of finalizing sale of the property to IVSN for \$1, which upon completion will transfer fee simple ownership of the property from MidPen to IVSN.

With the use of CDBG and Affordable Housing Funds, IVSN will make substantial improvements to the site's accessibility (elevator replacement, ADA compliant common area restrooms, and handicapped parking), correct structural deficiencies, abate existing asbestos and mold conditions, retrofit the fire extinguishing system, and provide thermal and moisture protection, as well as refurbish the individual housing units.

The property is currently encumbered with two loans from the County, one for acquisition for \$1,086,275 and one for rehabilitation with a balance of \$248,628.79, both from the County CDBG entitlement. The acquisition loan dates from 1987 and is nearing its maturity date of June 16, 2017. The rehab loan was issued in 1994, paid down by a loan from the City of Daly City, and is of indefinite term. A loan from the City of Daly City for \$270,000 from September, 1994 was forgiven on December 10, 2013 to facilitate transfer of the property from MidPen to IVSN.

Moving forward, the Department of Housing is requesting that the Board of Supervisors authorize forgiveness of the two existing County CDBG loans which total \$1,334,903.79. The property will continue to be secured for its current use through the provisions of the Affordable Housing Fund agreement which forgives the \$2.2 million loan over the course of 30 years, but demands complete repayment if the property is sold for any other use during that time. Since IVSN receives no income through the operation of the property as transitional housing, it is unlikely that any payments on the two CDBG loans will be received against the existing balance short of a sale of the property. The rehab loan is over 20 years old and the acquisition loan is approaching its 30 year maturity date. Forgiveness of the two loans will simplify the transfer of the property from MidPen to IVSN, remove existing debt that cannot be repaid from operational revenues, and acknowledge that valuable service that IVSN has provided to the residents of San Mateo County for almost 30 years through their operation of the facility. The resolution was approved by County Counsel as to form.

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FISCAL IMPACT:

A total of \$1,334,903.79 will be forgiven from Community Development Block Grant loan balances. No Net County Cost.