



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
Department of Housing



**Date:** October 25, 2016  
**Board Meeting Date:** December 13, 2016  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** Ken Cole, Director

**Subject:** Redwood Family House Transitional Housing Loan Forgiveness

**RECOMMENDATION:**

Adopt a resolution authorizing the Director of the Department of Housing to forgive a loan of \$108,900 in Community Development Block Grant Funds made to Mid-Peninsula Housing Corporation for its acquisition of the Redwood Family House transitional housing facility in Redwood City.

**BACKGROUND:**

In 1987, LifeMoves, formerly known as InnVision Shelter Network (IVSN), established the Shelter Network. On January 21, 1986, the County of San Mateo Board of Supervisors set aside \$200,000 of Community Development Block Grant ("CDBG") funds to assist the City of Redwood City (the "City") in the development of a shelter facility. In November 10, 1986, the County of San Mateo (the "County") entered into a three party agreement with the City and Mid-Peninsula Housing Corporation ("MidPen") for the acquisition of a twelve-unit apartment building located at 110 Locust Street in Redwood City (the "Property") to be used as a shelter facility. MidPen received loans comprised of CDBG funds from the County and the City totaling \$615,900. Of that total loan amount, the County provided \$108,900 and the City contributed loans of \$452,000 and \$55,000.

Since October 1, 1990, MidPen has leased the Property to LifeMoves, which operates a transitional housing facility on-site for extremely low income and homeless families. Now MidPen is proposing to transfer ownership of the Property to LifeMoves. MidPen would sell the property to LifeMoves for \$1 with a Right to Repurchase option for MidPen. Both would then collaborate on restructuring the debt on the property as part of a recapitalization effort that will allow LifeMoves to go out and secure other funds in order to rehabilitate the property. The transitional housing facility on the Property has been serving the community for the past 30 years; the transfer of ownership and the debt restructuring would allow the facility to continue serving the community for many

more years. These loans carried a 0% interest rate, and the term is consistent with properties that are not in a position to take on or repay debt. Debt restructuring on the property means that both the County and City may extend recorded regulatory restrictions on the Property. Since LifeMoves is committed to the continued operation and use of the Property as a transitional housing facility, LifeMoves would accept such extended obligations.

#### **DISCUSSION:**

The original County loan was in the amount of \$108,900, while the City issued two CDBG loans in the amount of \$452,000 and \$55,000. The CDBG loans are set to mature by December 19, 2016. Repayment is immediately due and payable upon demand or in the event the Property ceases to operate as transitional housing.

The Board of Supervisors has previously approved a similar transaction for LifeMoves back in April 2015 that forgave two existing County CDBG loans totaling \$1,334,903.79 on the Family Crossroads transitional housing facility. The same collaborative recapitalization approach that is being proposed for the Redwood Family House, was used by LifeMoves and MidPen in order to restructure the Family Crossroads facility and rehabilitate the property.

The Department of Housing is requesting that the Board of Supervisors authorize forgiveness of the existing County CDBG loan in the amount of \$108,900. The City of Redwood City is also working on the forgiveness of outstanding CDBG loans on the Redwood Family House in order to help facilitate the transfer of the property. In exchange, LifeMoves would agree to the continuation of the existing use restrictions for another 20 years and intends to continue its operation of the transitional housing facility for extremely low income and homeless families at the Property. If LifeMoves can no longer operate the transitional housing facility or intends to sell, transfer or convey the Property, the County would be in second position, behind MidPen, with a Right to Purchase the facility should MidPen forgo its Right of First Refusal and Right to Repurchase the Property.

It is unlikely that any payments on the CDBG loans would be received against the existing balance short of a sale of the Property. Forgiveness of the County loan would simplify the transfer of the Property from MidPen to LifeMoves, remove existing debt that cannot be repaid from operational revenues, and acknowledge the valuable service that LifeMoves has been providing to the residents of San Mateo County for almost 30 years through its operation of the transitional housing facility. The resolution was approved by County Counsel as to form.

#### **FISCAL IMPACT:**

A total of \$108,900 will be forgiven from the County's Community Development Block Grant loan balances. There is no Net County Cost associated with this action.