



# County of San Mateo

## Inter-Departmental Correspondence

**Department:** HOUSING

**File #:** 24-110

Board Meeting Date: 2/13/2024

**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** Raymond Hodges, Director of Department of Housing  
**Subject:** **Measure K:** Approve and ratify Assignment and Assumption Agreement and Amendment to Certain Loan Documents to increase loan amount and assign obligations to property owner for Farm Labor Housing

### **RECOMMENDATION:**

**Measure K:** Adopt a resolution approving and ratifying:

- A) Assignment and Assumption Agreement and Amendment to Certain Loan Documents between the County of San Mateo, Highway 92 Succulents, Inc and Therese Ambrosi Smith, dated October 11, 2023 to assign the borrower's obligations to Ms. Smith as property owner, increase the loan amount by \$100,000 to a total of \$400,000 and make other amendments; and
- B) Amended Declaration of Affordability Covenant executed by Therese Ambrosi Smith and dated October 11, 2023; and
- C) Amended Deed of Trust and Assignment of Rents executed by Therese Ambrosi Smith and dated October 11, 2023.

### **BACKGROUND:**

Since 2014, this Board has allocated funds for initiatives to address the need for agricultural workforce housing, including the commissioning of an Agricultural Workforce Housing Needs Assessment and the implementation of the Farm Labor Housing Pilot Program - a loan program to repair or replace existing, or create new, agricultural workforce housing (the "Program").

The Agricultural Workforce Housing Needs Assessment, completed in 2016, identified the need for over 1,000 new housing units for the agricultural workforce. Considering this information, in January 2017 and in 2022, the County expanded the Program to support construction of new housing, new mobile home units, and updated the program guidelines. The Program is now funded by revenues generated by **Measure K**, the ½ cent sales tax in effect in the County.

In January 2017, under Phase III of the Program, the County provided loans of up to \$150,000 for each new unit ("Project Unit") created and required applicants to contribute 20 percent of the value of the County loan to the Project Units. The loans were interest free and forgiven at a rate of \$10,000 per year per Project Unit, if the operator met the mandatory terms and conditions of the loan documents.

In 2022, the Program expanded to its current form which now allows the County to provide interest free loans of up to \$250,000 for each new unit created. Applicants are still required to contribute 20 percent of the total project costs and the loans are forgiven at a rate of 20 percent of the original principal loan balance, annually, during the final five years of the 20-year loan term if the operator maintains the mandatory extremely low rent levels and other terms and conditions of the loan documents are met. Project Units must meet the Program criteria, including that the units must be rented to "eligible farmworkers" in the County.

In 2021, Highway 92 Succulents, Inc., a California corporation, applied for a loan under Phase III of the Program to finance the purchase of two new mobile home units to serve as farm labor housing at 1585 Sunshine Valley Road, Moss Beach, CA 94038 (037-053-080) (the "Property").

On February 8, 2022 the Board approved Resolution Number 078707 ("Resolution"). The Resolution authorized the County Director of Housing or their designee to negotiate and execute a loan agreement with Highway 92 Succulents, Inc. in an amount not to exceed \$300,000 with a 15-year loan term to finance the purchase and installation of two new mobile home units to serve as farm labor housing at the Property).

On April 28, 2022 pursuant to the Resolution, the County Department of Housing ("DOH") executed a loan agreement and associated documents, including a promissory note, deed of trust and affordability covenant (the "Loan Documents") with Highway 92 Succulents, Inc.

## **DISCUSSION:**

In May 2023, Ms. Therese Ambrosi Smith, the CEO of Highway 92 Succulents, Inc., requested an additional \$100,000 to complete the purchase and installation of the two Project Units due to unforeseen delays and increased cost of acquiring the units resulting from the COVID-19 pandemic and supply chain issues. With the additional \$100,000 the County's total loan would be \$400,000 subject to the terms and conditions of the Program and Loan Documents.

In connection with considering the requested additional funds, DOH staff and Ms. Smith further determined that the Loan Documents should be assigned to Ms. Smith as the owner of record of the Property (rather than Highway 92 Succulents, Inc., which operates the site). Under the assignment, Ms. Smith assumes all obligations of the Loan Documents, including the covenants to restrict the rental of the units for 20 years to very low-income tenants and that the rent shall not exceed 30 percent of Farmworker Tenant's gross income.

On October 11, 2023 DOH, Highway 92 Succulents, Inc. and Ms. Smith executed an Assignment and Assumption Agreement and Amendment to Certain Loan Documents (the "Agreement") to assign the Loan Documents to Ms. Smith as the owner of the Property, increase the loan amount by \$100,000 to a total of \$400,000 and update terms of the Agreement.

Also on October 11, 2023, in connection with the Agreement, Ms. Smith executed (a) an Amended Deed of Trust and Assignment of Rents in favor of the County Department of Housing with respect to

the Property; and (b) an Amended Declaration of Affordability Covenant restricting the two units located on the Property for a period of 20 years.

Consistent with the purposes and objectives of the Program and the County's interest in facilitating housing for farm laborers, staff recommends that this Board approve and ratify the Agreement, the Amended Deed of Trust and Assignment of Rents and the Amended Declaration of Affordability Covenant.

The Agreement, the Amended Deed of Trust and the Amended Declaration of Affordability Covenant are submitted concurrently to the Board with this memorandum and proposed resolution.

**FISCAL IMPACT:**

The amended Loan Documents increase the amount of the County loan by \$100,000 to a new total of \$400,000. The additional \$100,000 approved by this action is funded by **Measure K** and is included within the Department of Housing's FY 23-24 budget.