

**COUNTY OF SAN MATEO
HUMAN SERVICES AGENCY
OFFICE OF HOUSING**

Date: September 4, 2001
Hearing Date: September 11, 2001

TO: Honorable Board of Supervisors

FROM: Maureen Borland, Director, Human Services Agency *MB*
Steve Cervantes, Director, Office of Housing *SC*

**RE: RESOLUTION AUTHORIZING APPROVAL OF SAN MATEO COUNTY
REAL PROPERTY LOAN POLICY FOR NON-PROFIT AGENCIES AS
AMENDED**

RECOMMENDATION

Adopt a Resolution authorizing approval of the Real Property Loan Policy for Non-Profit Agencies as Amended.

Background

On September 12, 2000, the Board of Supervisors adopted a policy for the provision of loans to non-profit agencies providing health and human services to County residents to assist them with the acquisition of real property to house their administrative office space and provide essential services. The existing policy was adopted to provide some insulation to non-profits from the pressures of rapidly increasing rents.

While the rental market has stabilized at the current time, many of the non-profit agencies are stretched to their limits where even a moderate rent increase can jeopardize their existence. This program allows the non-profit agencies to acquire property for their operations thereby locking in a significant component of their general operating expenses.

During the budget process for the current fiscal year, the Board authorized continued funding for this program but expressed a desire for consideration of a faster payback of the loans to the County Reserves.

Discussion

This policy was adopted in response to a specific request for a loan to purchase administrative office space for two non-profit agencies. The language in the policy as written left it unclear whether a property to be used strictly for provision of services without

administrative space qualified for the program. This amendment clarifies that such space is eligible.

An additional consideration is whether to shorten the term in order to provide for a faster return of the County's funds.

The amendment provides for consideration of a shorter term if, in the analysis of the situation, this can be achieved without creating a financial hardship for the non-profit agency. In order to meet the primary objective of keeping real property costs affordable to the non-profit agencies providing services, the payments would still be based on a 30-year amortization schedule, but a balloon payment would be required at the end of the shorter term. At that time the non-profit agency should be able to refinance both the conventional 1st mortgage and the County loan with minimal, if any, impact on their operating expenses. The Office of Housing staff will make a specific recommendation to the Board on this issue on a case by case basis.

Attached is a draft version of the existing policy with deletions shown in "strikeout" and additions shown in "italics". The changes are in the first paragraph of the section entitled "Eligible Non-Profit Agencies" and the first bulleted item in the section entitled "Loan Terms"

Fiscal Impact

The Loan Program will be funded out of the County General Fund Appropriation for Contingency and the cost will be based on the amount of money loaned.

[Jack D. Marquis, HCD Specialist III, Ext 5035]

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COUNTY OF SAN MATEO
Board of Supervisors

REAL PROPERTY PURCHASE LOAN POLICY FOR NON-PROFIT AGENCIES

Policy Statement

Government Code section 26227, authorizes a Board of Supervisors to use general fund monies to finance or assist in the financing of the acquisition or improvement of real property to be owned or operated by non-profit organizations to carry out policies necessary to meet the social needs of the population of the County. Due to the escalating costs of real property in the County of San Mateo, it is appropriate that the County institute a policy to assist qualifying non-profit agencies in acquiring real property.

In order to assist non-profit agencies in San Mateo County to provide critical health and human services to County residents, it shall be the policy of the County of San Mateo that loan requests from non-profit agencies be processed, reviewed and considered in accordance with the following:

The Fund

The County of San Mateo will make available for the Real Property Purchase Loan Policy, an amount up to ten (10) percent of available County General Fund Contingency Reserves for use as loans to non-profit agencies for the purchase of real property.

Eligible Non-Profit Agencies ("Agency(ies)")

The County of San Mateo will make loans available to non-profit agencies providing health or human services to County residents to assist in the purchase of real property in the County. The real property shall be improved with a structure to serve as the administrative office of the Agency, ~~but may also be used for service delivery~~, *or for the delivery of services by the Agency, or any combination of the two.* The real property must be located in San Mateo County. The Agency(ies) must:

- Occupy the premises.
- Provide significant services to San Mateo County residents.
- Be financially viable.
- Have an annual operating budget derived from a variety of reliable funding sources.
- Have a contract with and be in good standing with the County of San Mateo at the time of the loan application.

Agencies meeting these criteria are encouraged to partner either through joint ownership of real property, or through the lease of space by the owning Agency(ies) to the partnering agency(ies). The Agency(ies) may lease space on the premises subject to the requirement that at least 85% of the building area must be occupied by qualified non-profit agencies who meet the County criteria, as

determined by the Director, Human Services Agency. The County, at its discretion, may waive the requirement.

The County Loan ("Loan")

The Loan shall be critical to the Agency(ies)'s sustainability, based on rising rent costs or other similar factors, as determined by the Director, Human Services Agency'.

- The Loan shall be no more than twenty-five (25) percent of the total acquisition, closing, rehabilitation and other County approved costs associated with the project.
- The Loan shall not exceed 50% of the total financing.
- The total Loan to value ratio at the time of purchase shall not exceed 85 percent.
- The maximum amount of the Loan shall be \$1 million.
- The commencement date of the Loan payment shall be immediate, but may be delayed if the building needs extensive rehabilitation prior to occupancy, in which case terms of repayment may be adjusted accordingly, with up to a six-month deferral with interest accruing from the date of escrow close.

Loan Terms

The following are standard terms to be included in all loan agreements. Specific terms may vary based on the specific needs of the project and be outlined in the final contract loan agreement.

- The Loan will have up to a 30-year term, with a variable interest rate, ~~fully amortized over 360 months.~~ *The exact term will be recommended by the Office of Housing as a part of its review of the application; payments will be based on a 30 year amortization schedule but a balloon payment may be required at the end of a shorter term.*
- The interest rate will be set at 50 percent of the annualized net earnings on the County pooled investments for the most recent fiscal year quarter ending at the time of Loan approval, as determined by the County Treasurer. Said interest rate to be adjusted annually based on the average return for the prior year, as determined by the County Treasurer.
- The County Loan will be recorded in the highest position possible.
- The Loan shall require the execution of a promissory note and shall be secured against the property with a recorded deed of trust.
- There will be no pre-payment penalty.
- There will be a due on sale clause, with an option to have other qualified non-profits assume the Loan(s) or make other Loan arrangements with the County.
- Use of the Property shall be restricted to a qualified use by the Agency(ies) which secured the County financing, unless said Agency(ies) has obtained the County approval to transfer the use and/or the Property to another qualified non-profit Agency(ics).
- Use of the Property shall be restricted to the Agency(ies) which secured the County financing and said Agency(ies) shall continue to use 85 percent of the space in accordance with terms under which the County financing was obtained; unless waived-by the County.
- Fifteen (15) percent of the building space may be leased for other uses.

- County approval of a sublet or sublease shall be required.
- Rent for non-profit tenants whose uses are consistent with the County's Real Property Loan Policy, shall be at reasonable rates, which balance market rents with the value of the services provided by the non-profit.
- Rent for other non-profits or other tenants shall be at fair market rent.
- All rental amounts shall require the approval of the Director, Human Services Agency.

Application Process

Agencies will submit an application to the County at the Office of Housing, Human Services Agency. Office of Housing staff will review the application, gather any further supporting information needed (appraisal, agency(ies) audit, proforma, current income and expense budget) and make a recommendation to the Board of Supervisors. The Board will consider the loan agreement and has absolute discretion whether to approve or decline a loan application. The Human Services Agency will administer and monitor the Loan.

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

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**RESOLUTION AUTHORIZING APPROVAL
OF SAN MATEO COUNTY
REAL PROPERTY LOAN POLICY
FOR NON-PROFIT AGENCIES
AS AMENDED**

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California,
that

WHEREAS, on September 12, 2000 the Board of Supervisors approved a Real Property
Loan Policy for Non-Profit Agencies; and

WHEREAS, the County wishes to amend said policy; and

WHEREAS, there has been presented to this Board of Supervisors for its consideration and
acceptance the attached amended Real Property Loan Policy for Non-Profit Agencies;

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED, that this
Board of Supervisors approves the San Mateo County Real Property Loan Policy for Non-Profit
Agencies as Amended.

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COUNTY OF SAN MATEO
Board of Supervisors

**REAL PROPERTY PURCHASE LOAN POLICY FOR NON-PROFIT AGENCIES
(Amended 9/11/01)**

Policy Statement

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The Agency(ies) must:

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Agencies meeting these criteria are encouraged to partner either through joint ownership of real property, or through the lease of space by the owning Agency(ies) to the partnering agency(ies). The Agency(ies) may lease space on the premises subject to the requirement that at least 85% of the building area must be occupied by qualified non-profit agencies who meet the County criteria, as determined by the Director, Human Services Agency. The County, at its discretion, may waive the requirement.

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- The Loan shall not exceed 50% of the total financing.
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