



**COUNTY OF SAN MATEO**  
**Inter-Departmental Correspondence**

Department of Housing

**DATE:** September 11, 2009  
**BOARD MEETING DATE:** September 29, 2009  
**SPECIAL NOTICE/HEARING:** None  
**VOTE REQUIRED:** Majority

**TO:** Honorable Board of Supervisors (Sitting as the Board of Commissioners of the Housing Authority)

**FROM:** Duane Bay, Director, Department of Housing

**SUBJECT:** Intra-Agency Loan of \$500,000 from Half Moon Village to El Camino Village

**RECOMMENDATION:**

Adopt Resolution No. 2009-10:

1. Authorizing the Housing Authority to enter into a three-year intra-agency loan in the amount of \$500,000 from Half Moon Village to El Camino Village, and
2. Authorizing the Director of the Department of Housing to execute all necessary documents required to properly secure and record the loan.

**BACKGROUND:**

Large cost overruns were incurred during the development of the El Camino Village public housing project in the late 1990's. The management of that time decided to fund the cost overruns with \$500,000 in capital project funds that the U.S. Department of Housing and Urban Development (HUD) provided specifically for capital projects at Midway Village and with \$1,400,000 in accumulated administrative fees from the Housing Choice Voucher (Section 8) Program. The use of capital funds for housing construction was not a permissible use. The HCV administrative funds could be utilized for public housing construction with HUD's permission, but such permission was never received from HUD.

Both of these funding decisions became findings in an Office of Inspector General (OIG) audit issued in July 2007 and reported to your Board in a memo dated August



10, 2007. The findings require both of the improper loans to be repaid with interest to their original programs. Also, as a result of the unauthorized use of funds, the construction project at El Camino Village has never been officially “closed” by HUD and remains in a legal and financial state of limbo. Finally, this lack of clear status impedes the agency’s ability to carry out its plan to convert El Camino Village from public housing to project-based voucher status.

**DISCUSSION:**

Management has been actively negotiating with HUD officials to resolve the OIG findings. HUD has notified the agency that it is willing to grant an *ex post facto* approval for the use of HCV administrative funds and officially close the original project development, provided that the \$500,000 is repaid immediately to Midway Village and thereby not show on any of the final cost reports. Since El Camino Village does not have any financial reserve to make this payment, it is highly desirable that Half Moon Village lend \$500,000 of its approximate \$2,000,000 reserve to El Camino Village so that El Camino Village can repay Midway Village. The intra-agency advance will be structured as a loan with a three-year repayment schedule. El Camino Village will be able to repay Half Moon Village through its increased income as a project-based voucher development and/or through its eventual sale to a non-profit affordable housing operator. Half Moon Village will eventually use its reserves as part of the financing of its redevelopment, but this redevelopment is still in the early stages of planning and will not see construction for at least a few years.

County Counsel has reviewed and approved the Resolution as to form.

Approval of this intra-agency loan contributes to the Shared Vision 2025 outcome of a Livable Community by strengthening the financial position of an existing affordable housing complex. This loan will enable the closing of outstanding audit findings, which in turn will further the process of increasing operating funding for El Camino Village via its conversion to project-based voucher status.

**Performance Measure(s):**

Measure	FY 2008-09 Actual	FY 2009-10 Projected
Number of County-funded housing units developed and occupied since FY99-00	1781	1800

**FISCAL IMPACT:**

Approval of this item will enable the closure of two OIG Audit findings and lay the groundwork for conversion of El Camino Village to project-based voucher funding. This alternative funding will increase El Camino Village’s annual income by at least 50%. There is no net County cost associated with this action.