



MINUTES

**SAN DIEGO HOUSING COMMISSION
MINUTES OF THE REGULAR MEETING
APRIL 21, 2000
CITY ADMINISTRATION BUILDING
202 C STREET, 12TH FLOOR
SAN DIEGO, CALIFORNIA**

Attendance: Present: Commissioners Arthur, Grinchuk, Hills, Steinke and Tumminia. Also present were: Ms. Elizabeth Morris, Chief Executive Officer; and Charles Christensen, General Counsel.

Absent: Commissioners Dick and Oxberry.

10 CALL TO ORDER

Chair Arthur called the meeting to order at 9:10 A.M.

20 PUBLIC COMMENT

Mr. Mel Shapiro commented on the Consolidated Plan. He asked that losses, meaning conversions and demolitions, be shown in the Consolidated Plan as requested by Commissioner Oxberry. The Planning Commission made six different suggestions, none of which, he maintains, appear in the plan. He thinks the Commissioners and the public should be informed of the content of Housing Commission staff discussions with school district staff. He also questioned why higher income households got three times as much help as the lower income, and the answer was "local priorities."

30 COMMISSIONER COMMENTS

Commissioner Tumminia stated that she did not think the Commissioners' priorities were accurately reflected in Mr. Shapiro's statement. Ms. Morris commented that the bulk of the Commission's resources are dedicated to those of the lowest income group. We are looking at one piece of the funding resources in this particular documents that Mr. Shapiro was referencing.

40 REPORT BY THE CHIEF EXECUTIVE OFFICER

The application to the Federal Home Loan Bank to match residents' escrow accounts if they were to leave assisted housing to purchase a home was successful. The application was funded at the \$100,000 requested. Those funds will match residents' funds by three FHB dollars for every one of the residents' dollars up to \$10,000.

50 APPROVAL OF THE MINUTES

There were no minutes for the previous meeting.

ADOPTION AGENDA - CONSENT

MOTION BY GRINCHUK TO APPROVE THE FOLLOWING ITEMS ON CONSENT:

103 HCR00-019 — Revocable Grant to TACHS Property Development for the Rehabilitation and New Construction of Reese Village, a 19-unit Special Purpose Housing Facility (Council District 7)

Recommendation: It is recommended that the Housing Authority 1) approve a revocable grant in the maximum amount of \$215,000 to TACHS Property Development to provide financing for a 19-unit facility to house mentally disabled residents, 2) approve an amendment to documents for a previous \$355,000 loan and grant to the development to make Commission participation in the funding a \$570,000 revocable grant, and 3) approve the release of sixty percent of the developer fee to TACHS Property Development upon closing of the HUD loan for the Reese Village development.

105 HCR00-042 – Palm Terrace Apartments (previously named Palm Vista Apartments (Council District 8))

Recommendation: It is recommended that the Housing Authority approve the transfer of ownership of the 60-unit Palm Terrace Apartments located at 2885 Palm Avenue from the San Diego Interfaith Housing Foundation to the Palm Terrace Interfaith Housing Corporation, and authorize the Chief Executive Officer to execute the required documents.

106 HCR00-045 – U.S. Department of Housing and Urban Development Super Notice of Funding Availability Applications (Citywide)

Recommendation: That the Chief Executive Officer take the following actions with respect to the U.S. Department of Housing and Urban Development's (HUD)

pending Super Notice of Funding Availability (SuperNOFA) and/or individual Notice of Funding Availability (NOFA) processes:

1. Submit applications for the Continuum of Care Program; the Fair Share Allocation of Incremental Voucher Program; the Rental Assistance for Non-Elderly Persons with Disabilities in Certain Developments Program; the Resident Opportunity and Self Sufficiency (ROSS) Service Delivery Models; the ROSS Service Coordinator Program; the Drug Elimination Technical Assistance Program; the Multifamily Drug Elimination Program; and the Public Housing Technical Assistance Program under HUD's SuperNOFA or NOFA processes.
2. If the applications are approved, seek authorization from the Housing Authority to enter contracts with HUD and any related partners.
3. If the applications are approved, amend the Housing Commission's FY2001 Budget to reflect the new funds.

SECOND BY TUMMINIA.

MOTION CARRIED ON A UNANIMOUS VOTE OF 5-0, WITH DICK AND OXBERRY BEING ABSENT.

ACTION AGENDA

100 HCR00-034 — Proposed Loan to San Diego Habitat for Humanity for Development of a Single Family Home (Council District 4)

Commissioner Steinke believes that this is a very worthwhile project but was concerned that \$25,000 is given for one unit in an owner occupied facility. He also inquired if a fund is set aside specifically for this purpose. Ms. Morris responded that the standard shared equity program offers between \$20,000 and \$25,000 per household and the Commission has funded many of those each year. This \$25,000 is at the high end, but it's in line with the nature of the Commission's deep subsidy first-time homebuyer program. The Commission has a shallower subsidy homebuyer program that provides down payment assistance. The Housing Trust Fund and HOME are used for this purpose.

MOTION BY TUMMINIA TO APPROVE AN UNSECURED 21-YEAR AMORTIZING RECOURSE LOAN OF \$25,000 AT ZERO PERCENT INTEREST TO SAN DIEGO HABITAT FOR HUMANITY FOR ACQUISITION COSTS RELATED TO THE LOT LOCATED AT 3933 GAMMA STREET.

SECOND BY GRINCHUK.

MOTION CARRIED ON A UNANIMOUS VOTE OF 5-0, WITH DICK AND OXBERRY BEING ABSENT.

101 HCR00-0343 — Proposed Shared Equity Demonstration Program for Newly Constructed Homeownership Developments (Citywide)

Nancy Williams, Programs and Policy Manager, and Meredith Bryant, Senior Program Analyst, presented the staff report.

Harold Brown, Associate Dean and Director of the Center for Economic Development at San Diego State University and President of BTW Development, which just completed 56 single-family homes in San Diego, stated that he supports the recommendation by staff.

Sherm Harmer, Vice Chairman of the Olsen Company, the largest builder of inner-city affordable housing for sale in California, asked the Commission to consider raising the eligibility cap from 80% of median area income to 100% of median area income. His company has asked virtually every city they have a relationship with to re-examine the qualification limits for homebuyers. The present economy has driven up building and land costs. Using the 80% limit, the price would be \$126,000. He cannot build homes at \$126,000.

Chair Arthur asked staff what would be the impact of such a modification. Nancy Williams stated that the mechanism being utilized to fund this demonstration program is money from the private sector. If the Board opted to continue this program in future years, it would need a funding source to do that. The Shared Equity Program is currently funded with HOME funds. By statute, those funds can only assist people earning 80% or below the median area income. However, there is a provision within the Trust Fund that allows funding for homeownership activity to serve people earning up to 100%. Ms. Morris elaborated that at 80% of median income, the ceiling is almost \$43,000 for a family of four. At 100%, it goes up to almost \$54,000.

Chair Arthur commended Mr. Brown and Mr. Harmer for attempting to build affordable housing in the City of San Diego. He asked Mr. Harmer how many houses in his project fall below \$156,000.

Mr. Harmer responded that his company has proposed 51 homes, 17 of which would be in the \$156,000 range. When considering new homes in a forward commitment, one must consider what the situation is going to look like when it comes to market a year down the road. His company is experiencing 10-12% inflation and they want maximum flexibility in order to be successful.

Chair Arthur stated that the Housing Commission serves a variety of needs. He recommended increasing the cap in this instance to 100%. Commissioner Hills requested that a portion of the homes have a cap of only 80%. Staff informed the board that portioning would be possible from an administrative position. However, Chair Arthur stated he was not prepared to cut up the pot of available money in a way that would discourage developers from coming forward. Ms. Morris added that regarding proposals, they can give extra points to those who are moving in the direction that Ms. Hills suggested without making it a hard and fast threshold criterion of the fund. Commissioner Steinke stated that the board should be making a determination as to whether an 80% MAI or a 100% MAI is eligible for the money.

Commissioner Grinchuk reminded the board that more than 45% of all Californians live in rental housing, and all statistics demonstrate that rental housing provides as much stability as home ownership does.

MOTION BY CHAIR ARTHUR TO RECOMMEND HOUSING AUTHORITY APPROVAL OF A DEMONSTRATION PROGRAM THAT WOULD RESERVE THROUGH A COMPETITIVE FUNDING PROCESS FUNDS FOR NEWLY CONSTRUCTED HOMEOWNERSHIP DEVELOPMENTS THAT CAN MEET CERTAIN CRITERIA, INCLUDING THE PROVISION OF UNITS AFFORDABLE TO FAMILIES EARNING 100% OR BELOW THE MEDIAN AREA INCOME.

SECOND BY STEINKE.

MOTION CARRIED ON A UNANIMOUS VOTE OF 5-0, WITH DICK AND OXBERRY BEING ABSENT.

102 THIS ITEM WAS PULLED BY STAFF.

104 **HCR00-037 – Request for Revision to the Terms and Conditions for the Acquisition and Rehabilitation of 3810 Winona Avenue (Council District 7)**

Pat Getzel, Manager of Housing Finance and Development, and Carlos C. de Baca, Project Manager, presented the staff report for the project previously known as Winona Gardens, now Bandar Salaam. She clarified that the Housing Commission previously approved a \$2.1 million loan and described changes to the financial structure that have occurred since their prior action.

Sue Reynolds, Executive Director of Community Housing of North County, pointed out advantages of the proposed improvements. They improve the asset that secures the loan, while at the same time reducing the Commission's loan-to-value position. They also protect the property from the obsolescence that concerned some of the board members. She made herself and the team of

Ramon Mendez, tax credit consultant, Tess Colby, loan officer from Bank of America, Charles Davis, construction estimator, and project manager, Tim Baker available to answer questions.

Chair Arthur commended the group for accomplishing what he had previously said could not be done.

MOTION BY COMMISSIONER GRINCHUK TO RECOMMEND HOUSING AUTHORITY APPROVAL OF A LOAN OF UP TO \$2,100,000, INCLUDING THE EXPENDITURE OF UP TO \$1,100,000 IN HOUSING TRUST FUND FUNDS, UP TO \$1,000,000 IN HOME PROGRAM FUNDS, AND \$60,000 TO BE PAID OUT AS PART OF THE DEFERRED DEVELOPER FEE.

SECOND BY TUMMINIA.

MOTION CARRIED ON A UNANIMOUS VOTE OF 5-0, WITH COMMISSIONERS DICK AND OXBERRY BEING ABSENT.

107 HCR00-032 — Supplemental — Resident Service Program Direction (Citywide) (Continued from the March 17, 2000 Housing Commission Meeting)

Commissioner Steinke expressed concern about whether they should be creating another nonprofit entity, but is willing to defer to his fellow commissioners. Ms. Morris stated that staff would be back within a year with a business plan and other information. Chair Arthur stated his support of Resident Services. He thinks it's almost as vital as bricks and mortar.

Commissioner Hills noted that she wants to be involved with the business plan for this newly formed non-profit. At the last discussion of this subject, it was stated that a commissioner would be involved.

MOTION BY COMMISSIONER TUMMINIA TO PROCEED IN PHASES WITH THE ESTABLISHMENT OF A RESIDENT SERVICES CORPORATION ("RESIDENT SERVICES CORPORATION").

SECOND BY HILLS.

MOTION CARRIED ON A UNANIMOUS VOTE OF 5-0, WITH COMMISSIONERS DICK AND OXBERRY BEING ABSENT.

108 HCR00-041 — Housing Trust Fund Three-Year Program Plan for Fiscal Years 01-03 and Fiscal Year 01 Implementation Strategy (Citywide)

Senior Program Analyst Cissy Fisher presented the staff report. Mr. Mel Shapiro commented on an attachment chart entitled "Housing Assistance Needs of Low- and Moderate-Income Households." He doesn't see where the Trust Fund makes any attempt to help the categories referred to as worst case needs by HUD. Ms. Morris pointed out that Attachment 1 to the report contains the compliance results from Housing Trust Fund expenditures. The projection for next year includes \$1 million allocated for transitional housing, which targets extremely low-income persons. 77% of the funds are earmarked for very low-income persons, of which over \$1 million is for special purpose rental housing development, targeting those with extremely low incomes.

Commissioner Steinke inquired whether 95% of the funds go to very low-income purposes. Ms. Morris affirmed that they do, with a large percentage of that for extremely low-income. Approximately four percent goes to low-income and 2% to moderate income. Commissioner Steinke asked whether Attachment 1 is a historic document. Ms. Morris responded that it is a projection, based upon historic performance.

MOTION BY HILLS THAT THE HOUSING COMMISSION FORWARD THE DRAFT THREE-YEAR PROGRAM PLAN FOR FY01-03 AND FY01 IMPLEMENTATION STRATEGY TO CITY COUNCIL WITH A RECOMMENDATION FOR APPROVAL.

SECOND BY GRINCHUK.

MOTION CARRIED ON A UNANIMOUS VOTE OF 5-0, WITH COMMISSIONERS DICK AND OXBERRY BEING ABSENT.

109 HCR00-039 — Proposed Fiscal Year 2001 Budget (Citywide)

Ms. Morris moderated a Powerpoint presentation of highlights from the Proposed Fiscal Year 2001 Budget. Chair Arthur asked whether the amount of discretionary funds is getting smaller. Ms. Morris agreed that next year there will be fewer unrestricted dollars, at a time when there is increasing housing need.

Mr. Mel Shapiro commented that he hopes this item will be continued since two of the commissioners are absent. Persons under 30% of median income are not mentioned in the report. It doesn't show how much money they will get. The fact that over 20,000 households are on the waiting list should be stated at the front of the budget, instead of on page 5-1. The budget does not show the actuals. It does not show the needs of the homeless. He thinks it would be helpful to show

year-to-year comparisons of consultants, sundry, and equipment purchases, and justification for purchases.

Chair Arthur is concerned that there is less discretionary money to spend this year. He asked where they could expect to see money being added to the Commission and what steps will be taken to get more money. Ms. Morris replied that steps are being taken to reduce costs and to increase revenues. The Commission will be applying for quite a number of grants. The Section 8 program is increasing this year.

Chair Arthur asked what the Commissioners might do to ensure that the Trust Fund is expanded. Ms. Morris noted that other groups are beginning to discuss this issue.

Commissioners Steinke and Tumminia and Chair Arthur had questions about rehabilitation of owner-occupied property on Schedule 2. Ms. Morris and Technical Services Manager, Steve Snyder, answered their questions. The rehabilitation being provided is to low-income and very low-income owner-occupied properties, and then mostly for emergency-type repairs that are necessary to make the home habitable. Larger loans for complete rehabilitation are given to homeowners who have few other resources. Less of the monies are being allocated to the larger loans than in prior years. The intent of the loan program is to preserve existing affordable housing. Discussing outreach, Mr. Snyder stated that some recipients receive mailers from the Housing Commission, and some receive referrals to the program. Administrative overhead is estimated at below 8%.

Commissioner Steinke inquired about the Information Systems expenditure in the Unrestricted Revenue Sources category. Ms. Morris informed him that some one-time resources, such as loan payoffs, are being used to make upgrades to software and hardware. The improved software is expected to reduce administrative costs over the long term.

Tim Sturtevant, Financial Management Manager, informed the board that a number of federal programs do not supply sufficient administrative funding, so the Housing Commission has to subsidize programs with local resources in order to operate those federal programs.

Commissioner Grinchuk said it appears that there are not enough discretionary funds to be spent on operation of Youth, Family and Senior programs. Ms. Morris responded that the proposed Resident Services Non-Profit could hopefully generate private money to augment those funds. Commissioner Grinchuk asked whether HUD funds had been maxed out, and whether there is a limitation in the HUD funds for those types of programs. Ms. Morris believes HUD funds have

been maxed out. Some of the HUD funds are for specific grants, such as the Drug Elimination Grant. The Housing Commission does utilize a portion of public housing operating and renovating funds for resident services.

Commissioner Grinchuk also asked what type of programs are involved with the Youth, Family and Senior Programs. Patti Zatarian, Manager for Resident Services, listed the public housing drug elimination, federally assisted drug elimination, and senior economic development and support services programs as examples. Ms. Morris added that computer centers, tutoring programs, and other programs also fall under this category.

Chair Arthur and Commissioner Grinchuk noted the frustration they experience when one area of funding needs gets squeezed and puts pressure on another area of need. Ms. Morris stated that in preparing this budget, rehab and special purposes and homeownership were squeezed down a bit from prior levels in order to focus a little more on rental housing development, which is a significant issue. Each unit of rental housing is becoming more expensive to bring on line. The budget was prepared in keeping with the consolidated plan and housing elements philosophy of a multi-faceted strategy.

Commissioner Grinchuk asked if there were any graphics that indicated how the funds are allocated for various income groups. Ms. Morris said that the top of page 1.4 has a verbal description of who is served by these programs.

Chair Arthur interjected that in today's very prosperous society, a tremendous amount of people are suffering when it comes to housing. People who make 60% or 70% of median income are just as at-risk as anybody making 30%. He is not sure that San Diego can solve these kinds of problems.

Ms. Morris replied that the recommendations are before the board. One area of the budget that is projected to grow in both dollars and production is the rental assistance program that serves extremely low-income families. The majority of the budget is recommended to serve those who earn less than 50% of median area income, but they are also making program recommendations to serve low-income families as well. They want to be responsive to many housing needs, with a particular focus on the very low-income, and this budget carries that out.

Commissioner Grinchuk asked whether the material is showing that 70% of the proposed budget will serve very low-income individuals whose income is less than 50% of median area income. Ms. Morris affirmed that it does, and added that while those up to 50% are eligible, the average annual income of those served is around \$12,500. Chair Arthur asked what kinds of subsidies are required to serve that income level. Ms. Morris responded that it depends on the program. To make housing affordable at 30% of that family's income requires a

deep subsidy program like Section 8. Other programs have rent ceilings at 50% of median income, but families earning less than that will live there. They will pay less than the market, but more than the HUD definition of affordable, which is of 30% of their income. Putting more dollars into each project could reduce rents further. Most of the budget (the growing portion) is in the very deep subsidies program, but most unrestricted funds go toward development activities that help those closer to the high end of that income range.

Commissioner Grinchuk asked for clarification regarding new construction and development of rental housing by the Housing Commission and Housing Development Partners. Ms. Morris informed him that in the past the Housing Commission reserved some portion of funds for Housing Commission development and some portion for development by others, but it is not broken down in this budget. The budget indicates potential ways monies could be used, but they require actions by the board.

Commissioner Grinchuk asked what kind of budget the Housing Development Partners has. Ms. Morris stated that it has its own budget based on revenues generated by its housing development activity. It is the managing general partner of one limited partnership, and is considering developing other projects. There is no budget for the Housing Development Partners reflected in the Housing Commission's budget.

MOTION BY TUMMINIA TO RECOMMEND THE HOUSING AUTHORITY 1) ADOPT THE \$107.1 MILLION FY01 ACTIVITY BASED BUDGET AS PROPOSED; 2) CONTINUE TO DELEGATE LIMITED AUTHORITY TO THE HOUSING COMMISSION TO AMEND THE FY01 BUDGET, CONSISTENT WITH THE POLICIES, PROGRAMS AND ACTIVITIES APPROVED BY THE HOUSING AUTHORITY; AND 3) CONTINUE TO DELEGATE LIMITED AUTHORITY TO THE CHIEF EXECUTIVE OFFICER TO AMEND THE FY01 BUDGET CONSISTENT WITH THE POLICIES, PROGRAMS AND ACTIVITIES APPROVED BY THE HOUSING AUTHORITY, AND, AS IN THE PAST YEAR, PROVIDE THE CHIEF EXECUTIVE OFFICER AUTHORITY TO ADD OR TRANSFER FUNDS UP TO \$100,000, WHICH ALIGNS WITH DELEGATED PROCUREMENT AUTHORITY LEVELS.

SECOND BY HILLS.

MOTION CARRIED ON A UNANIMOUS VOTE OF 5-0, WITH DICK AND OXBERRY BEING ABSENT.

ADJOURNMENT

The Commission recessed and convened in closed session.

CLOSED SESSION

Conference with Legal Counsel - existing litigation, pursuant to California Government Code Section 54956.9(a) and 54954.5(c):

- (a) San Diego Housing Commission v. L.M. Hill, Jr., and Irene A. Hill
San Diego Superior Court Case No. 727112

INSTRUCTIONS WERE GIVEN TO COUNSEL, BY A VOTE OF 5-0, WITH COMMISSIONERS DICK AND OXBERRY BEING ABSENT.

- (b) Hidden Valley Construction v. Housing Authority of the City of San Diego, a California public entity; San Diego Housing Commission, a California public entity
San Diego Superior Court Case No. 704467

INFORMATIONAL ONLY.

- (c) Betty Gibson, an individual, v. San Diego Housing Commission, a public entity
San Diego Superior Court Case No. GIC 737832

INSTRUCTIONS WERE GIVEN TO COUNSEL, BY A VOTE OF 5-0, WITH COMMISSIONERS DICK AND OXBERRY BEING ABSENT.

- (d) Marivel Miranda v. San Diego Housing Commission
San Diego Superior Court Case No. 722682

INSTRUCTIONS WERE GIVEN TO COUNSEL, BY A VOTE OF 5-0, WITH COMMISSIONERS DICK AND OXBERRY BEING ABSENT.

- (e) San Diego Housing Commission, a public agency; and Housing Authority of the City of San Diego, a public agency vs. Industrial Indemnity Company of the Northwest, a Washington corporation; Industrial Indemnity, an unknown entity; Crum & Forster Corporation, a New Jersey corporation; Crum & Forster Insurance Risk Management Accounts, an unknown entity; and Does 1 through 10
San Diego Superior Court Case No. 680684
Court of Appeal Case No. D027060

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- (f) Matter of Mitchell Barosh vs. San Diego Housing Commission, et al.
DFEH Case No. E199900D1145-00-prsc; and
DFEH Case No. E199900D1145-01-prsc

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- II. Conference with Labor Negotiator – pursuant to California Government Code Section 54957.6:

Agency Negotiator: Steve Mikelman, Pat Duplechan and Kadee Gonzalez for the San Diego Housing Commission

Employee Organization: Social Services Union, Local 535, SEIU, AFL-CIO

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- III. Public Employee Performance Evaluation, pursuant to Government Code Section 54957(e):

Title: Chief Executive Officer

NO ACTION OR VOTE WAS TAKEN.

- IV. Adjournment of Closed Session.
V. Announcement of action taken in Closed Session.

Chair Arthur adjourned the meeting at 11:15 A.M.

Respectfully submitted,

Approved by,

Debbie Gustave
Secretary to the Chief Executive Officer

Elizabeth C. Morris
Chief Executive Officer

Signature on File
With Original Document