



Good Neighbors

San Diego  
Housing Commission

## HOUSING AUTHORITY REPORT

### EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED: September 21, 2006 REPORT NO: HAR06-013  
ATTENTION: Members of the Housing Authority  
For the Agenda of September 26, 2006  
ORIGINATING DEPARTMENT: San Diego Housing Commission  
SUBJECT: Deed of Trust Securing San Diego Rescue Mission Grant  
COUNCIL DISTRICT(S): District 2

#### REQUESTED ACTION:

Allow the Deed of Trust securing the Housing Commission revocable grant of U.S. Department of Housing and Urban Development funds (used to rehabilitate the San Diego Rescue Mission's (SDRM) Harbor View transitional housing project at 120 Elm Street) to record in a more junior position than originally authorized.

#### STAFF RECOMMENDATION:

Approve changes to the financing structure of the SDRM Harbor View project by ratifying the subordination, from third to fifth position, of the Deed of Trust securing a \$402,368 Economic Development Initiative (EDI) grant used to help finance rehabilitation of a 379-bed facility for homeless individuals in need of transitional housing. The original structure of the financial plan and a description of the project are more fully described in the Attachment.

#### EXECUTIVE SUMMARY:

Congress reserved \$402,368 of EDI grant funds in the federal fiscal year 2003 budget in response to the City's request for funds to replace housing removed by the Federal Government in preparation for construction of a downtown courthouse. The City of San Diego was named the eligible recipient of the proposed grant, and the nonprofit, faith-based SDRM applied to be a subrecipient to fund rehabilitation of its Harbor View Project. The project is located at 120 Elm Street in the Uptown district immediately north of the I-5 freeway and adjacent to the Cortez Hill redevelopment area. The transitional housing facility provides special needs services for homeless households earning 30 percent or less of Area Median Income, and rents are restricted for 55 years.

As the administering agency for the grant recipient, the Housing Commission submitted the grant application on behalf of SDRM, received the funding, and monitors compliance with federal regulations governing use of the funds.

The Housing Commission report of January 23, 2004 (HCR04-10) outlined the proposed financial structure for the Harbor View project. The report stated that the HUD-EDI grant would be secured by a trust deed in the third position behind a first position private lender and the second position Redevelopment Agency loan.



Prior to the Housing Commission receiving the EDI grant funds from HUD and closing escrow with SDRM in October 2005, four different funding sources (California Baptist Foundation/San Joaquin Bank, Bank of the West, Redevelopment Agency of the City of San Diego, and the California Department of Housing and Community Development) secured their liens ahead of the Housing Commission grant, leaving this agency to record its documents in the fifth position.

Efforts to conform to the original financing plan by switching the Housing Commission's lien position with the third position Redevelopment Agency loan were not successful, as was an attempt to move into higher position by having the California Department of Housing and Community Development subordinate its fourth position loan to the Housing Commission.

If the Board accepts the current position, the Housing Commission's security will be behind debt of \$16,655,000; however, the fiscal impact of that placement should be minimal since the operation is fully functional and stable. Also, the grant was only eligible to be used for transitional housing on Elm Street, and the funds most likely would be lost if not used in the Harbor View project.

FISCAL CONSIDERATIONS:

The grant is secured by a trust deed subordinate to \$13,155,000 in private lending, a \$2,000,000 Redevelopment Agency loan, a \$1,000,000 Affordable Housing Program grant, and a California Emergency Housing Assistance Program grant of \$500,000. The EDI grant is subject to recapture by HUD should SDRM be unable to support operation of the facility as proposed.

PREVIOUS COUNCIL and/or COMMITTEE ACTIONS:

On March 23, 2004, the City Council and Housing Authority authorized the Housing Commission to apply for and accept the \$402,368 HUD-EDI grant on behalf of the City of San Diego.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The proposed repositioning of the EDI grant does not require review or approval by Uptown Planners, the community planning advisory group for downtown neighborhoods.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

The key stakeholder is the San Diego Rescue Mission. There would be no impact on neighborhood residents, businesses, or the other funding sources of this project if this action is approved.

Respectfully submitted,

Approved by,

Cissy Fisher  
Director of Housing Finance & Development

Elizabeth C. Morris  
President & Chief Executive Officer

Attachment: HCR04-10 (without attachments)