



Good Neighbors

San Diego
Housing Commission

MINUTES

**SAN DIEGO HOUSING COMMISSION
MINUTES OF THE REGULAR MEETING
JANUARY 22, 1999
CITY ADMINISTRATION BUILDING
202 C STREET, 12TH FLOOR
SAN DIEGO, CALIFORNIA**

Attendance: Present: Chairman Arthur, Commissioners Dick, Grinchuk, Oxberry, Steinke, and Tumminia. Also present were: Ms. Elizabeth Morris, Executive Director, and Charles Christensen, General Counsel. Absent: Commissioner Hills.

10 CALL TO ORDER

Chair Arthur called the meeting to order at 9:10 a.m.

20 PUBLIC COMMENT

Mr. Mel Shapiro expressed his concern that the items on today's overall agenda did not appear to reflect the agency's and City's priority to assist families earning 50% of Median Area Income (MAI) or less. He commented further that the development deals on today's agenda appear to serve those earning 60% of MAI, who Mr. Shapiro referred to as "your average renter." Mr. Shapiro requests that the Housing Commission make every effort to assist those individuals earning 50% of MAI or less.

Mr. Shapiro spoke to the issue of the low vacancy rate, which is at an historically all time low. Mr. Shapiro reported that the Board of Supervisors had set up a special committee to address this issue. Mr. Shapiro inquired as to the possibility of placing this issue on a future Housing Commission agenda for discussion.

30 COMMISSIONER COMMENTS

Commissioner Grinchuk commended Ms. Morris for her public speech given the previous evening concerning affordable housing issues.

Commissioner Dick thanked his fellow Commissioners for granting him a leave of absence at the end of calendar 1998, and for changing the meeting dates in 1999 to accommodate his recent career change.

40 REPORT BY THE CHIEF EXECUTIVE OFFICER

Ms. Morris recognized Commissioner Grinchuk's installation as president of the San Diego County Apartment Association. Ms. Morris was a speaker at the installation ceremony and she noted that Mr. Grinchuk's association with both the Commission and the San Diego County Apartment Association will be of mutual benefit to each.

Ms. Morris also called attention to the fact that 1999 marks the twentieth anniversary of the Housing Commission. Ms. Morris noted that this milestone will be marked in a number of ways throughout the course of this year. Ms. Morris expressed that the Commission is pleased to have been a part of providing affordable housing services to the community and leadership in the affordable housing field for the past 20 years.

50 APPROVAL OF THE MINUTES

MOTION BY GRINCHUK TO APPROVE THE MINUTES FOR THE MEETING OF NOVEMBER 30, 1998, AND DECEMBER 14, 1998.

SECOND BY OXBERRY.

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

ADOPTION AGENDA - CONSENT

Ms. Morris recommended that due to the weight and scope of the agenda of today's docket, the Commissioners consider continuing Item 108 to the next meeting.

MOTION BY OXBERRY TO CONTINUE ITEM 108 (HCR99 - 012 - FISCAL YEAR 1998 AUDIT REPORTS) TO THE NEXT MEETING.

SECOND BY STEINKE .

MOTION CARRIED ON UNANIMOUS VOTE OF 6-0, WITH HILLS BEING ABSENT.

MOTION BY STEINKE TO ADOPT THE FOLLOWING ITEMS ON CONSENT:

100 HCR98- 156 (Revised) - San Diego Housing Commission 1999 Meeting Schedule (Citywide)

Recommendation: Approve a Housing Commission meeting schedule for 1999.

101 NOTE: ITEM 101 HAD BEEN OMITTED. THERE WAS NO REPORT.

102 HCR99-008 - Award of Construction Contract for Site Improvements at 605-695 Picador Blvd. (Council District 8)

Recommendation: It is recommended that the Housing Commission award a construction contract to low bidder Castello, Inc. for drainage and site improvements in the amount of \$197,615 at 605-695 Picador Boulevard with a ten percent contingency (\$19,761) to address potential change orders for items not anticipated and identified in the original scope of work. Authorize the Executive Director to execute the contract and the expend the contingency if necessary.

103 HCR99-011 - Issuance of Revenue Bonds for North Park Properties (Council Districts 4 and 7)

Recommendation No 1: It is recommended that the Housing Commission recommend that:

- The Housing Authority approve a bond inducement resolution and an application to the State for an allocation of bond issuing authority for the project; and
- The City Council hold a public hearing ("TEFRA" hearing) and approve a resolution approving the issuance of bonds for the project by the Housing Authority.

Recommendation No. 2: It is recommended that the Housing Commission approve CGMS Incorporated and CIC Research, Inc. (MBE - 20 percent) as financial advisor; Orrick, Herrington & Sutcliffe and Williams & Gilmore (MBE - 20%) as bond counsel; and Banc One Capital as bond underwriter.

**104 HCR99-010 - Bond Issuance for Logan Square Apartments
(Council District 4)**

Recommendation: It is recommended that the Housing Commission recommend that the City Council hold a public hearing ("TEFRA" hearing) and approve the proposed issuance of up to \$8.7 million of tax-exempt mortgage revenue bonds by the California Statewide Communities Development Authority (CSCDA), a statewide joint powers authority, to finance the acquisition and rehabilitation of the 170-unit Logan Square Apartments located at 4742 Solola Avenue by Logan Square Limited Partnership.

**109 HCR99 - 006 - Revocable Grant to Stepping Stone of San Diego, Inc. for
the Construction of a 28-bed Residential Recovery Group Home
(Council District 3)**

Recommendation No. 1: It is recommended that the Commission recommend Housing Authority approval of a \$513,067 revocable grant to finance the construction of Stepping Stone's 28-bed residential recovery group home located at 3767 Central Avenue with a minimum of 12 beds to be set aside on a priority basis for persons diagnosed with HIV/AIDS.

Recommendation No. 2: It is recommended that the Housing Commission agree to subordinate its current second position acquisition loan on the property (in the amount of \$95,333) to a short-term construction loan.

SECOND BY GRINCHUK.

MOTION CARRIED ON A UNANIMOUS VOTE OF 6-0, WITH HILLS BEING ABSENT.

ADOPTION AGENDA - ACTION AGENDA

**105 HCR98-155 - Contract for Security Guard Services (Citywide)
(Continued from December 14, 1998 Housing Commission meeting)**

Staff report was presented by Mr. Terry Whitesides, Equal Opportunity and Contracting Manager. Mr. Whitesides summarized the Commission's decision process in changing providers of security guard services.

Mr. Ed Davis spoke in behalf of Security Perfect 777, expressing his desire to continue to provide security services to the Housing Commission.

Chair Arthur stated that after extensive review of this item, he was in support of staff's recommendation to change providers.

MOTION MADE BY ARTHUR TO AUTHORIZE AN AWARD OF A TWO-YEAR CONTRACT, EFFECTIVE DECEMBER 1, 1998 THROUGH NOVEMBER 30, 2000, WITH OPTION TO RENEW FOR ONE (1) ADDITIONAL YEAR PERIOD, TO ACTION SECURITY AND INVESTIGATION.

SECOND BY OXBERRY.

MOTION CARRIED ON UNANIMOUS VOTE OF 6-0, WITH HILLS BEING ABSENT.

The following two items were discussed and considered together.

**106 HCR99- 104 - Rehabilitation Loan - 4170 Nordica Avenue
(Council District 8)**

**107 HCR99-005 - Rehabilitation Loan - 3444-46 Valle Avenue
(Council District 4)**

Staff report was presented by Loan Management Program Manager Steve Mikelman, with Loan Specialist Vicki Bonner and Rehabilitation Program Manager Steve Snyder on hand for questions.

Commissioner Dick referenced the fact that there had been an amendment to the Rental Property Rehabilitation Policy 600.202 on November 9, 1998 and opened discussion on the policy issue of making rehabilitation loans to private property owners engaged in the business of renting real estate. Mr. Dick inquired as to the impact of the substantive changes, if any, this amendment may have had on the inclination or disinclination to make loans of this nature to private property owners.

Mr. Mikelman indicated that modifications made to the policy facilitate the process of granting loans to private owners of rental housing.

Ms. Morris commented that at the time this amendment was approved, the Commission attempted to structure a policy that was on the one hand, useful to rental property owners and, on the other hand, not providing undue enrichment for prior lack of appropriate maintenance and management. Ms. Morris reported that, despite these changes, rental property owners had not taken advantage of this opportunity. In fact, Mr. Mikelman noted that Item 107 herein is the first loan under the new policy.

Commissioner Steinke indicated that , as a courtesy to Commissioner Dick (since Mr. Dick was absent when this policy amendment was approved), he would not be opposed to revisiting this issue for a future discussion.

Ms. Morris noted that, as with all policies, this particular policy amendment had gone through the approval process and been approved by the members of the Housing Authority. Ms. Morris requested that, if the Commission chooses to revisit this item, the policy remain active as it now stands until such time as a new policy, if any, is approved.

Commissioner Dick thanked Commissioner Steinke for his offer to reopen this issue for a policy discussion at later date. However, Commissioner Dick indicated it is not his intent to hold either of these items up today, but he would like the opportunity to study the policy. Commissioner Dick commented after studying the policy, he will advise staff should he wish to revisit this item so that it may be placed on a future agenda.

Commissioner Tumminia followed up on Mr. Mel Shapiro's comments at the beginning of the meeting regarding the Commission's priority to serve those earning 50% or less than Median Area Income. Commissioner Tumminia noted the Valle Avenue project does not address this particular population.

Ms. Morris reported that any of the development loans brought forward for action could be structured in a such a way as to serve lower income groups than are proposed. However, Ms. Morris pointed out that to do so would require greater subsidy. Ms. Morris indicated that many of the items on today's agenda require a significant amount of Commission funds to fill the financial gap to make the particular project work. Further, she commented that to the extent that the Commission wishes to reduce the income of the occupants of a particular project or development deal and hence, the amount of rent that would be charged, the gap grows in direct proportion and the amount of Commission dollars to be invested grows concomitantly.

Commissioner Steinke suggested that resources could be allocated more towards multifamily and might result in more units, potentially reaching the very low income population group.

Ms. Morris pointed out that the bulk of funds of which the Commission has discretion, are allocated for multifamily use as opposed to single family ownership or rehabilitation of single family homes. Ms. Morris commented that staff is currently beginning the budget process for FY2000. The issue of allocation of funds and a "bang for the buck" analysis will be part of this process. This report will be brought forward to the Board for discussion within the next month.

MOTION BY DICK TO APPROVE THE LOAN COMMITTEE'S RECOMMENDATION TO FUND A \$65,000 REHABILITATION LOAN FOR THE PROPERTY LOCATED AT 4170 NORDICA AVENUE, AND A \$22,500 LOAN TO ARCHIE WRIGHT AND LAVIRGIA BRYANT-WRIGHT FOR REHABILITATING THE PROPERTY AT 3444-46 VALLE AVENUE.

SECOND BY OXBERRY.

MOTION CARRIED ON A VOTE OF 6-0, WITH HILLS BEING ABSENT.

The following two items were discussed together, but voted on separately.

110 HCR99-001 - Multifamily Rental Housing Request for Proposals Loan Recommendations (Council Districts 4, 7, 8)

111 HCR99-002 - Inducement Resolution and TEFRA Application for Mayberry, Winona and St. Regis (Council District 4, 7, 8)

Staff report was presented by Housing Finance Manager Pat Getzel, with Associate Project Manager Carlos C. deBaca and Financial Specialist Jack Farris on hand for questions.

Chair Arthur asked that the Commissioners consider each property being addressed in the recommendation as separate items.

Mr. Michael Dunn representing the City Heights Town Council and the City Heights Area Planning Committee, spoke in support of the Winona Gardens project. Mr. Dunn commented this project will be an added benefit to the community of City Heights which is undergoing many positive changes

Mr. Abdul Mohammed, resident of Winona Gardens, spoke in behalf of the residents of that property who are largely Somalian immigrants, and expressed his concern for their welfare. Mr. Mohammed expressed his support of this item on today's agenda and his belief that it will improve the lives of those residents for which he is concerned.

Ms. Sue Reynolds, Executive Director of Community Housing of North County, the proposed developer of Winona Gardens addressed the Commission regarding some technical issues related to the project. Ms. Reynolds indicated that the Cuatro Property Management had been selected as property manager for this project. Ms. Reynolds spoke to Cuatro's respected reputation in the area of affordable housing. Cuatro manages the Mercado Apartments and President John Adams Manor. Ms. Reynolds reported that the interim financing for the project is proceeding

without delay. Ms. Reynolds praised Housing Commission staff for their efforts to bring this deal to fruition.

Mr. Zach Fischer, representing Southwest Affordable Housing, proposed developer of the Mayberry Apartments, spoke in behalf of Southwest's proposal to develop the Mayberry project. Mr. Fischer addressed the current decaying condition of the property and Southwest's commitment to perform the required rehabilitation so as to enhance the property's livability and manageability to enable it to become an asset to the community. All of the plans for improvement are detailed in the staff report before the Commission today.

Mr. Wallace Dieckmann with Chelsea Investment, proposed developer of the St. Regis Apartments, referred the Commission to the staff report and indicated his availability for any questions.

Mr. Russell Van Cleve representing the Boston Apartments, was also present, but chose not to speak other than to compliment Commission staff for their hard work on the Boston project.

In consideration of Item 111, Commissioner Dick commented that in taking the proposed action, the Commission would not be increasing the number of units of affordable housing, but increasing the quality of the existing housing. Commissioner Dick also requested clarification to ensure that we are facilitating the maintenance of affordability of the properties in question, by ensuring the affordability restrictions are kept in place over the long term.

Mr. Casciola of Southwest Affordable Housing responded that the current tenants living at the Mayberry complex are paying higher rents presently than what they will be paying after rehab. However, Mr. Casciola indicated that the units that do not have affordability restrictions will, obviously, be affected by the current market conditions.

Mr. C. de Baca reported that the tenants of the units are scheduled to experience a rent increase by the current owner on February 1, 1999 - 2-bedroom units rent will increase to \$700. However, once the rehab is completed, the after rehab monthly market proposed rent will be \$650, if the loan is approved.

Chair Arthur reiterated his belief that the effect of the increase in quality of this property would greatly uplift the surrounding community and declared his support of the recommendation. Chair Arthur spoke to the need to balance the affordability of housing with the quality. In the instance of the Mayberry Apartments, Chair Arthur restated his belief that improving the quality of this particular housing stock will improve the lives of those in the

surrounding community, thereby raising the bar for future affordable projects within the community.

MOTION MADE BY ARTHUR TO:

RECOMMENDATION NO. 1: THAT THE HOUSING COMMISSION RECOMMEND:

- 1) THE HOUSING AUTHORITY APPROVE A BOND INDUCEMENT RESOLUTION FOR THE THREE PROPOSED BOND ISSUANCES.
- 2) THE HOUSING AUTHORITY APPROVE AN APPLICATION TO THE STATE FOR AN ALLOCATION OF BOND ISSUING AUTHORITY FOR THE ACQUISITION AND REHABILITATION OF MAYBERRY APARTMENTS, SUBJECT TO THE HOUSING COMMISSION RECOMMENDING A HOME/HOUSING TRUST FUND LOAN OF UP TO \$670,000 (A COMPANION ITEM ADDRESSING THE HOUSING COMMISSION LOAN IS CONTAINED IN HOUSING COMMISSION REPORT NUMBER HCR 99-001); AND
- 3) THE CITY COUNCIL HOLD A PUBLIC HEARING ("TEFRA" HEARING) AND APPROVE A RESOLUTION APPROVING THE ISSUANCE OF BONDS FOR THE MAYBERRY APARTMENTS BY THE HOUSING AUTHORITY SUBJECT TO PROPER AUTHORIZATION OF SUCH ISSUANCE BY THE AUTHORITY AT A FUTURE DATE.

RECOMMENDATION NO. 2: IT IS RECOMMENDED THAT THE HOUSING COMMISSION APPROVE:

- 1) FOR THE PROPOSED MAYBERRY APARTMENTS BOND ISSUANCE AND THE PROPOSED ST. REGIS PARK APARTMENTS PROJECT BOND ISSUANCE, LITTEN FINANCIAL AND KOSMONT & ASSOCIATES, INC. (MBE-20%), FINANCIAL ADVISOR; STRADLING YOCCA CARLSON & RAUTH AND ROBINSON & PEARMAN (MBE - 20 PERCENT), BOND COUNSEL; AND
- 2) FOR THE PROPOSED WINONA APARTMENTS BOND ISSUANCE, CGMS INCORPORATED AND CIC RESEARCH, INC. (MBE - 20 PERCENT), FINANCIAL ADVISOR; ORRICK, HERRINGTON & SUTCLIFFE AND WILLIAMS & GILMORE (MBE -20%), BOND COUNSEL.

SECOND BY OXBERRY.

MOTION CARRIED ON A UNANIMOUS VOTE OF 6-0, WITH HILLS BEING ABSENT.

MOTION MADE BY CHAIR ARTHUR REGARDING ITEM NO. 111 TO:

(1) Recommend Housing Authority approval of funding to Southwest Affordable Housing for the acquisition and rehabilitation of the Mayberry Apartments located at 4328-4490 Mayberry Street in an amount up to \$670,000 and as detailed in Exhibit A of this report.

(2) Recommend a reservation of funds, with the project proposals returning to the Loan Committee and Housing Commission as soon as all the updated "sources and uses of funds" information can be reviewed for feasibility, for:

- Community Housing of North County for the acquisition and rehabilitation of the Winona Apartments located at 3810 Winona Avenue in an amount up to \$2,100,000 and as detailed in Exhibit B of this report;
- Christopher Chase for the new construction of the Boston Apartments located at 2650 Boston Avenue in an amount up to \$374,530 and as detailed in Exhibit C of this report; and
- Chelsea Investment Corporation for the new construction of the St. Regis Park Apartments located at 12th and Market in an amount up to \$2,000,000 and as detailed in Exhibit D of this report.

(3) Reject proposals received for American Pacific Properties located at 12th and Market (Exhibit E); and Sunshine Gardens located at 443 South 47th Street (Exhibit F).

SECOND BY TUMMINIA.

MOTION CARRIED ON VOTE OF 6-0, WITH COMMISSIONER HILLS BEING ABSENT.

CLOSED SESSION

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

- (a) San Diego Housing Commission, a public agency vs. Eileen Walker, an individual
San Diego Municipal Court Case No. 605653

INFORMATIONAL ONLY. NO ACTION WAS TAKEN.

- (b) SDHC v. John Baranski
San Diego Municipal Court Case No. 603081
San Diego Municipal Court Case No. 607170

BY A VOTE OF 6-0, WITH HILLS BEING ABSENT, DIRECTIONS WERE GIVEN COUNSEL CONCERNING PROCEEDING.

- (c) SDHC v. Victor Crawford, an individual
San Diego Municipal Court Case No. 603899

INFORMATIONAL ONLY. NO ACTION WAS TAKEN.

- (d) Mildred J. Tanner v. San Diego Housing Commission, a public corporation
San Diego Superior Court Case No. 723725

BY A VOTE OF 6-0, WITH HILLS BEING ABSENT, DIRECTIONS WERE GIVEN TO COUNSEL CONCERNING THIS MATTER.

- (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 Appeals Case No. D027060

INFORMATIONAL ONLY. NO ACTION WAS TAKEN.

- (f) Steven Small v. Betsy Morris; San Diego Housing Commission
San Diego Superior Court Case No. 724292

INFORMATIONAL ONLY. NO ACTION WAS TAKEN.

- II. Conference with Legal Counsel - anticipated litigation pursuant to Government Code Section 54956.9(c) and 54954.5(c):

- (a) More than (1) matter.

NO MATTERS WERE DISCUSSED. NO ACTION WAS TAKEN.

- III. Conference with Real Property Negotiator - Pursuant to California Government Code Section 54954.5(b) and 54956.8:

Property: Skyline/Woodman (vacant property owned by SDHC)

Negotiating Parties: Elizabeth Morris and Pat Getzel for the San Diego Housing Commission; and William Jones for Woodman Estates, LLC, whose co-developers are Patrick Property Services and Citylink Investment Corporation, for prospective purchaser.

Under Negotiation: Terms and Price

BY A VOTE OF 5-1, WITH CHAIR ARTHUR VOTING NAY AND HILLS BEING ABSENT, INSTRUCTIONS WERE GIVEN TO NEGOTIATORS.

- IV. PUBLIC EMPLOYEE APPOINTMENT. TITLE: Designees of the Executive Director of the Housing Authority of the City of San Diego, pursuant to Government Code Sections 54957.1(a)(5) and 54954.5(e).

INFORMATIONAL ONLY. NO ACTION WAS TAKEN.

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

ADJOURNMENT

Chair Arthur adjourned the meeting at 11: 40 a.m.

Respectfully submitted,

Approved by,

Rob Albrecht
Docket Coordinator

Elizabeth C. Morris
Chief Executive Officer