



Good Neighbors

San Diego
Housing Commission

MINUTES

**SAN DIEGO HOUSING COMMISSION
MINUTES OF THE REGULAR MEETING
MARCH 5, 1999
CITY ADMINISTRATION BUILDING
202 C STREET, 12TH FLOOR
SAN DIEGO, CALIFORNIA**

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

10 CALL TO ORDER

Chair Arthur called the meeting to order at 9:15 a.m.

20 PUBLIC COMMENT

None.

30 COMMISSIONER COMMENTS

The Commissioners wished a Happy Birthday to Commissioner Tumminia.

Chair Arthur announced the resignation of Director of Housing Finance and Development, Paul Burrier-Lund, who has accepted the position of Director for the Orange County Housing and Community Development. Both the Board and the Executive Director expressed their appreciation to Ms. Burrier-Lund for her contribution and service to the citizens of San Diego.

40 REPORT BY THE CHIEF EXECUTIVE OFFICER

Ms. Morris also announced the resignation of her assistant, Mr. Tim O'Connell, who after decades of service to the City of San Diego, has chosen to move on and

explore other career opportunities. Ms. Morris expressed Mr. O'Connell's appreciation to the Board for their working relationship over the years.

50 APPROVAL OF THE MINUTES

MOTION BY COMMISSIONER TUMMINIA TO APPROVE THE MINUTES FOR THE REGULAR MEETING OF FEBRUARY 5, 1999, AND THE ROUNDTABLE DISCUSSION ON FEBRUARY 12, 1999.

MOTION SECONDED BY COMMISSIONER HILLS AND CARRIED ON UNANIMOUS VOTE OF 6-0, WITH COMMISSIONER OXBERRY BEING ABSENT.

ADOPTION AGENDA - CONSENT

MOTION BY COMMISSIONER HILLS TO APPROVE THE FOLLOWING ITEMS ON CONSENT.

100 HCR99-009 — Status Report for Loans Either Due and Payable or Reverting to Monthly Payments (Citywide)

Recommendation: It is recommended that the Housing Commission accept the Chief Executive Officer's report identifying all loans that will become due and payable during calendar year 1999, including all loans that were deferred and are reverting to monthly payments.

101 HCR99-029 — Labor Council Contract for CommunityWORKS Program (Council Districts (Council

Recommendation: It is recommended that the Housing Commission recommend that the Housing Authority authorize the Chief Executive Officer to execute a contract agreement with the San Diego Imperial Counties Labor Council for \$235,500.

102 HCR99-028 — Approval of a Contract with South Bay Community Services for Shelter + Care Program at La Posada Apartments (Council District 8)

Recommendation: It is recommended that the Housing Commission approve a Shelter + Care contract with South Bay Community Services to provide 10 years of rental assistance for 12 units at La Posada Apartments located at 135 Averil Road.

105 HCR99-031 — Dependency Court Safe Housing Concept as a Housing Priority (Citywide)

Recommendation: It is recommended that the Commission direct staff to participate in the Recovery Safe Housing Project task group to explore possibilities for developing drug-free housing for children and their parents who are enrolled in substance abuse treatment programs as directed by the Dependency Court.

107 HCR99-025 — Fiscal Year 2000 City of San Diego Consolidated Plan (Citywide)

Recommendation: It is recommended that the Housing Commission authorize distribution of the draft FY2000 City of San Diego Consolidated Annual Plan for a 30-day public comment period, extending from March 8 to April 6, 1999, with a public hearing to follow at the April 9, 1999 Housing Commission meeting.

MOTION SECONDED BY COMMISSIONER GRINCHUK AND CARRIED ON UNANIMOUS VOTE OF 6-0, WITH COMMISSIONER OXBERRY BEING ABSENT.

ADOPTION AGENDA - ACTION AGENDA

103 HCR99-003 — Coastal Affordable Housing Compliance for 7518-7534 Draper Avenue (Council District 1)

General Counsel Chuck Christensen stated that in order to avoid any appearance of possible conflict of interest, he and the firm of Detisch and Christensen would voluntarily abstain from discussion on this item. Attorney Suzanne Barko from the firm Peters & Barko, stepped in.

Staff Report was presented by Mr. Lee Bates, Senior Program Analyst, with Program & Policy Manager Nancy Williams, and Irma Betancourt, Loan Management and Compliance Monitoring, on hand for questions.

Mr. Bates stated that the item under consideration was regarding the administration of the City of San Diego's Coastal Affordable Housing Program, City Council Policy 600-3, which implements California Government Code Section 65590, which states that the conversion and demolition of existing dwelling units occupied by persons and families of low or moderate income shall not be authorized unless provision has been

made for the replacement of those dwelling units through development or acquisition of residential units or payment of an in-lieu fee by the applicant.

In this case, though the finding has been disputed by the applicant, Mr. Ami-Kawa of Alke Enterprises, the recommendation of staff is to approve the Compliance Permit Determination, and authorization for the CEO to execute a Coastal Affordable Housing Compliance Agreement to provide for replacement units or payment in-lieu for the ten residential units found to be occupied by low income households at 7518-7534 Draper Avenue.

Mr. Terry Sheldon, prospective buyer of the Draper Avenue property, spoke in opposition to staff's recommendation and expressed his view that having had extensive experience in Coastal Affordable Housing Compliance, he felt there were enough discrepancies in this case that the survey should be retaken.

Mr. Bates pointed out that there are differences between the owner's records of his tenants and who the survey actually found living there, but that the survey does accurately reflect the low income persons or families actually found residing in the units.

In response to questions by Commissioner Tumminia, Ms. Morris clarified that the policy is a housing replacement policy, though not directed at providing relocation assistance or other benefits toward the renters being displaced. Mr. Bates added that the Compliance Agreement would address the options for housing replacement once the determination is made.

Commissioner Dick sought further clarification of methodology, and discussion followed regarding implications of the survey's consideration of the sources of income of all people residing in the units, versus consideration of the income of only the renter of record.

Chair Arthur stated that he would be reluctant to ask staff to become any type of policing body in their attempt to make these determinations, but that they should be able to rely on the information on the roster.

Commissioner Dick pointed out a flaw in the policy - that a property owner could avoid replacing affordable units by simply eliminating the affordable units - meaning, either evict the tenants or raise the rents before applying for permits to change the character of his property. Mr. Bates added that there are provisions in State Law to address any evidence of circumvention of the law.

Commissioner Steinke noted that the actual rent of a unit seems to have no bearing on the determination, as a market rate rent may be paid by several low income occupants. Mr. Bates agreed.

Ms. Morris suggested that should the Commission choose to examine the State Law and City Council policy, recommendations could be made in the future, but that at present, the Commission is being asked to determine compliance with the existing policy.

Commissioner Dick asked what alternatives the Commission had beyond accepting or not accepting staff's recommendation, and what the owner's recourse would be. Ms. Morris stated that there is an appeal process in the policy to City Council, but that it is up to the Housing Commissioners to determine compliance of this project with current law and policy. Mr. Dick stated that he finds the policy, which appears to be intended to preserve a stock of low and moderate housing in the coastal zone, disconnected with its methodology, making a determination not on the affordability of the unit, but on the incomes of the unit's current residents, and that this leaves room for many variations and indiscrepancies.

MOTION MADE BY COMMISSIONER DICK TO ADOPT STAFF'S RECOMMENDATION TO (1) APPROVE THE COMPLIANCE PERMIT DETERMINATION, WHICH FOUND TEN (10) OF THE FOURTEEN (14) RESIDENTIAL UNITS LOCATED AT 7518-7534 DRAPER AVENUE OCCUPIED BY LOW INCOME HOUSEHOLDS, AND (2) AUTHORIZE THE CEO TO EXECUTE A COASTAL AFFORDABLE HOUSING COMPLIANCE AGREEMENT PURSUANT TO CITY COUNCIL 600-3 AND IN A FORM APPROVED BY GENERAL COUNSEL, TO PROVIDE FOR REPLACEMENT UNITS OR PAYMENT OF AN IN-LIEU FEE FOR THE TEN (10) UNITS OCCUPIED BY LOW INCOME HOUSEHOLDS WITH THE CONDITION THAT THE ITEM BE SENT FORWARD TO CITY COUNCIL WITH A REQUEST THAT COUNCIL PROVIDE THE APPLICANT WITH THE OPPORTUNITY TO APPEAL HIS CASE TO THE BODY THAT AUTHORED THE POLICY, AND THAT COUNSEL WORK WITH THE CITY ATTORNEY TO CLARIFY THE POLICY.

MOTION SECONDED BY COMMISSIONER GRINCHUK AND CARRIED ON UNANIMOUS VOTE OF 6-0, WITH COMMISSIONER OXBERRY BEING ABSENT.

Staff Report was presented by Project Manager Wendy DeWitt, with Housing Finance Manager Pat Getzel and Senior Housing Construction Specialist Carlos C. DeBaca on hand for questions.

Ms. Getzel disclosed that her husband is employed by the Bank of America Community Development Bank and that the Bank of America would be involved in the loan's financing, if staff's recommendation was accepted.

Ms. DeWitt summarized the item - a request from Community Housing of North County to approve a Housing Commission loan of up to \$2.1 million for the acquisition and rehabilitation of the sixty-eight unit property at 3810 Winona Avenue, and initial steps required for the issuance of \$2, 450,000 in tax-exempt revenue bonds. Staff was presenting the recommendation of the Loan Committee for the Commission's review.

Ms. DeWitt called attention to the project's higher-than-appraised purchase price and high loan-to-value ratio. Ms. DeWitt stated that in spite of the complexities and difficulties of the project, the benefits are extensive, providing the opportunity for 67 units of decent, affordable housing, elimination of blight, and community revitalization.

Ms. DeWitt walked through the details of the financials, as well as the concerns, risks and mitigations considered by the Loan Committee before determining to give their approval to the loan.

Ms. Sue Reynolds, Executive Director of Community Housing of North County (CHNC), spoke in behalf of her organization and in support of the project, noting that it has community support, makes a positive impact on the community, and is a project that needs and deserves the support of the public sector. Ms. Reynolds underscored the fact that her organization would be covering the difference in the purchase price and the value of the property, and addressed the loan-to-value issue.

Mr. Jim Varnadore spoke in favor of the project and its positive impact on the community of City Heights, and that as the residents of the project are Somali immigrants, he felt the project represented a successful integration of an ethnic group into mainstream America.

Mr. Tim Baker, CHNC's project manager for Winona Gardens, spoke of the property's great need for rehabilitation and site improvements, and outlined extensive efforts of CHNC in cost analysis, code compliance, market survey, and due diligence.

Mr. Jose Lopez, a resident of the community and President of the Fox Canyon Neighborhood Association, testified to the community's enthusiasm for the project as a catalyst for future development and its potentially positive impact on property values.

Ms. Ellen Moffet, Treasurer of City Heights Town Council, and neighbor of the Winona property, spoke in favor of the project, expressing her desire to welcome her Somali neighbors and improve their living conditions.

Mr. Steve Russell, Secretary for the City Heights Area Planning Committee, spoke in support of the project, as an opportunity to remove a source of blight, provide decent living standards and stability to a large component of the growing Somali community in the City Heights area, and provide affordable housing for low income workers in the community.

Mr. Greg Dietrich, Chairman of the Board for the City Heights Town Council, and neighbor of the Winona Gardens, spoke in support of the revitalization of the complex, but expressed his concerns about the responsibility of investing money in a situation that may only repeat itself if the social issues are not addressed, and concerns about supporting the polarization and isolation of a particular ethnic group.

Commissioner Dick inquired into the possible responsibility of the residents for the current state of disrepair, and the possibility that after making a large investment in improvements to the site, the same situation could recur. Mr. Dick also questioned the price of the property and the structure of the financing, as well as the true impact on the community. Mr. Dick probed further into the possibilities of a different financing structure and a lesser level of funding by the Housing Commission.

Chair Arthur shared the concerns of Commissioner Dick and looked to the CHNC for some assurance that the current problems with maintaining the integrity of the property would not continue to exist should money be spent and improvements made.

Mr. Tim Baker along with Mr. Charles Davis, Urban West Development, currently under contract with CHNC as a construction manager, testified in behalf of the residents of the Winona Garden and their high personal standards. Mr. Davis attributed the current state of the property to deferred maintenance, which are results of owner negligence, not tenant destruction. Chairman Arthur asked Mr. Davis if there were code violations at the property. Mr. Davis stated that he did not believe so.

Commissioner Grinchuk expressed his personal discomfort with the direction he felt the discussions were going in appearing to judge the housekeeping of a particular ethnic group. Chair Arthur gave assurance that this was not his or Commissioner Dick's intent, but that they knew the property well and felt it had not been respectfully maintained. Their questions reflected their real concern that the Commission be making a sound investment.

MOTION MADE BY COMMISSIONER GRINCHUK TO APPROVE LOAN COMMITTEE'S RECOMMENDATION AS FOLLOWS:

RECOMMENDATION NO. 1:

1. APPROVE A LOAN TO CHNC IN THE AMOUNT OF UP TO \$2,100,000 FOR THE ACQUISITION AND REHABILITATION OF 3810 WINONA AVENUE, SUBJECT TO THE FOLLOWING CONDITIONS:

A. THAT THE COMMISSION RETAIN FORECLOSURE RIGHTS UNDER AN FHA-FINANCED FIRST POSITION LOAN;

B. THAT CHNC USE THE COMMISSION'S FAIR HOUSING CONSULTANT SERVICES;

C. THE HOUSING COMMISSION FUNDS ARE TO BE THE LAST FUNDS DRAWN FOR THE PROPOSED REHAB WORK UNLESS THIS CREATES A CONFLICT WITH ANOTHER LENDER, IN WHICH CASE THE COMMISSION WILL NEGOTIATE THE PAY-OUT OF ITS FUNDS;

D. COMMITMENT OF ALL OTHER PERMANENT FUNDING SOURCES PRIOR TO LOAN FUNDING; AND

E. NOTICE AND PRIOR APPROVAL OF ANY CHANGES IN PROPERTY MANAGEMENT.

IN ADDITION, STAFF RECOMMENDS THAT THE CONDITIONS TO THE \$2,100,000 LOAN COMMITMENT BE MET BY NO LATER THAN JUNE 30, 2000.

2. THAT THE CHIEF EXECUTIVE OFFICER BE AUTHORIZED TO APPROVE RELOCATION PAYMENTS TO TWO HOUSEHOLDS WHICH WILL BE IN EXCESS OF \$25,000 EACH.

RECOMMENDATION NO. 2:

1. THE HOUSING AUTHORITY APPROVE AN APPLICATION TO THE STATE FOR AN ALLOCATION OF BOND ISSUING AUTHORITY FOR THE ACQUISITION AND REHABILITATION OF WINONA APARTMENTS, SUBJECT TO THE HOUSING COMMISSION RECOMMENDING A HOME/HOUSING TRUST FUND LOAN OF UP TO \$2,100,000; AND

2. THE CITY COUNCIL HOLD A PUBLIC HEARING ("TEFRA" HEARING) AND APPROVE A RESOLUTION APPROVING THE ISSUANCE OF BONDS FOR THE WINONA APARTMENTS BY THE HOUSING AUTHORITY SUBJECT TO PROPER AUTHORIZATION OF SUCH ISSUANCE BY THE AUTHORITY AT A FUTURE DATE.

MOTION SECONDED BY COMMISSIONER TUMMINIA AND CARRIED ON UNANIMOUS VOTE OF 6-0, WITH COMMISSIONER OXBERRY BEING ABSENT.

**106 HCR99- 017 — Request for Forgiveness of Predevelopment Loan to COACH for the Acquisition and Rehabilitation of Acacia Imperial Mobilehome Park (Council District 4)
(CONTINUED FROM FEBRUARY HOUSING COMMISSION MEETING)**

Chair Arthur stated that he had pulled this item from the Consent Agenda because of his discomfort with the action of forgiving a loan. Ms. Cissy Fisher, Senior Project Analyst, explained that the risk is understood when making a predevelopment loan, and that they are rarely done for this reason. Chairman Arthur directed staff to use this program with great caution; Commissioner Steinke concurred. Commissioner Dick agreed and shared his understanding of the occasional need for such loans, though they may be risky.

MOTION MADE BY CHAIR NEAL TO APPROVE A REQUEST FROM COACH TO FORGIVE A PREDEVELOPMENT LOAN (IN THE AMOUNT OF \$47,377.29 PLUS INTEREST) INTENDED TO FURTHER THE ACQUISITION AND REHABILITATION OF ACACIA IMPERIAL MOBILEHOME PARK.

MOTION SECONDED BY COMMISSIONER DICK AND CARRIED ON UNANIMOUS VOTE OF 6-0, WITH COMMISSIONER OXBERRY BEING ABSENT.

CLOSED SESSION

COMMISSIONER DICK WAS NOT PRESENT.

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; 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.

- (b) London Camille Reems v. San Diego Housing Commission
San Diego Superior Court Case No.: 719138

INFORMATIONAL ONLY.

- (c) San Diego Housing Commission v. Beverly J. Stebbins, individually and doing business as Best Properties; and Does 1 through 50, inclusive
San Diego Municipal Court Case No.: 605654

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

- (d) San Diego Housing Commission v. Cal's Best, Inc., a California corporation; Richard Davila, an individual; and Does 1 through 50, inclusive
San Diego Municipal Court Case No.: 605002

NOT DISCUSSED.

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

- (a) More than (1) matter.

Matters 1 and 2: INSTRUCTION GIVEN TO COUNSEL BY VOTE OF 5-0, WITH COMMISSIONERS DICK AND OXBERRY BEING ABSENT.

Matter 3: INFORMATIONAL ONLY. NO ACTION TAKEN.

- III. LICENSE/PERMIT DETERMINATION, pursuant to Government Code Section 54956.7 and Government Code Section 54954.5:

Applicants: One (1) applicant

MATTER NOT DISCUSSED.

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

Agency Negotiator: Elizabeth C. Morris for the San Diego Housing Commission; Willis de Morris for Services Employee International Union, Local 535

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

INFORMATIONAL ONLY. NO ACTION TAKEN.

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

ADJOURNMENT

Chair Arthur adjourned the meeting at 11:50 a.m.

Respectfully submitted,

Approved by,

Margaret Hill
Secretary

Elizabeth C. Morris
Chief Executive Officer