



Good Neighbors

San Diego
Housing Commission

MINUTES

**SAN DIEGO HOUSING COMMISSION
MINUTES OF THE REGULAR MEETING
MAY 7, 1999
CITY ADMINISTRATION BUILDING
202 C STREET, 12TH FLOOR
SAN DIEGO, CALIFORNIA**

Attendance: Present: Chair 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

Chairman Arthur called the meeting to order at 9:08 a.m. with Commissioners Dick, Grinchuk, Steinke and Tumminia present.

20 PUBLIC COMMENT

Mr. Mel Shapiro asked if there had been a change in the rules on public information requests. He referred to a letter that asked him to put his requests for information in writing.

30 COMMISSIONER COMMENTS

Commissioner Steinke requested a copy of the letter to which Mr. Shapiro had referred.

Chair Arthur asked the Chief Executive Officer if there had been a change in policy regarding public information requests. Ms. Morris responded that the policy has been in place for sometime. It states that requests for public records be in writing and a response will be made within ten days.

40 REPORT BY THE CHIEF EXECUTIVE OFFICER

Ms. Morris advised the Commissioners that at 1:00 p.m. on Wednesday, May 12, the City Council's Land Use & Housing Committee will be presented an "affordable housing" workshop to discuss the current housing situation in San Diego.

50 APPROVAL OF THE MINUTES

Commissioner Steinke asked that the minutes of the April 23 meeting reflect his absence.

MOTION BY TUMMINIA TO APPROVE THE MINUTES OF THE APRIL 7 AND APRIL 23 MEETINGS AS AMENDED BY STEINKE.

SECOND BY DICK.

MOTION CARRIED BY VOTE OF 5-0, WITH HILLS AND OXBERRY ABSENT.

ADOPTION AGENDA - CONSENT

MOTION BY GRINCHUK TO APPROVE THE FOLLOWING ITEMS ON CONSENT.

100 HCR99-045 - Approval to Submit Comprehensive Grant Program Plan (CGP) Annual Statement to the U.S. Department of Housing and Urban Development (HUD) (Citywide)

Recommendation: It is recommended that the Housing Commission approve and authorize the submission to HUD of the Comprehensive Grant Program Annual Statement for rehabilitation of public housing units throughout the City in the amount of \$2,027,958 and the execution of required documents. Should the actual award amount vary from the application amount, the Housing Commission hereby grants to the Chief Executive Officer authority to modify specific line items as necessary to carry out the intended purpose of this application.

102 HCR99-048 - Contract for Legal Services (General Counsel) (Citywide)

Recommendation 1: It is recommended that the Housing Commission seek Housing Authority approval of a two-year legal services contract with the law firm of Detisch & Christensen (contract is included as Attachment 1 of the staff report). The contract includes an option to renew for up to three additional one year periods, subject to HUD's approval.

Recommendation 2: It is recommended that the Housing Commission seek Housing Authority approval to authorize the Chief Executive Officer to modify subject contract, when the Board of Commissioners direct staff to conduct unusual activities that require special legal services, without the additional approval of the Housing Commission or Housing Authority, subject to availability of appropriate funds.

103 HCR99-050 - Amendment to Agreement for Legal Services with Detisch & Christensen (Citywide)

Recommendation: That the Housing recommend Housing Authority approval of an amendment to the contract for legal services with Detisch & Christensen by increasing the maximum contract compensation for FY99 from \$300,000 to \$450,000 and, that the Chief Executive Officer be authorized the amend the FY99 Budget accordingly.

105 HCR99-055 - 1999 Continuum of Care Application (Citywide)

Recommendation: It is recommended that the Housing Commission authorize the Chief Executive Officer to:

1. Submit an application to HUD for approximately \$1.2 million to renew the 1997 Supportive Housing Program (SHP) commitment for 28 transitional beds provided by Episcopal Community Services (ECS) under its Safehavens Program.
2. Submit an application to HUD to secure approximately \$345,000 in Shelter Plus Care (S+C) funding to support 16 new permanent beds under Pathfinder's proposed S+C II Program.
3. Submit an application to HUD to secure approximately \$1.4 million in S+C funding to support approximately 55 new permanent beds under the Association for Community Housing Solutions (TACHS) proposed 1999 S+C Program.
4. Take actions necessary to transfer grantee status from the San Diego Housing Commission to ECS for the proposed 1999 Safehavens Renewal Program.
5. Upon HUD's Approval of the funding applications, recommend Housing Authority approval of actions needed to accept funds, revise the FY2000 budget, and enter into contracts for new S+C and, if transfer of SHP granteeship is denied, SHP renewal funds.

107 HCR99-051 - Housing Trust Fund Transitional Housing Grants (Citywide)

Recommendation No. 1: It is recommended that the Housing Commission approve two year grants of support to the following programs that received funding in prior years:

- a. **Catholic Charities** in the amount of \$28,000 for occupancy and administrative expenses as partial funding of two years' continued operations of House of Rachel, a five-bed residence for women in the City Heights area;

- b. **San Diego Safe Harbor, Inc.** in the amount of \$92,000 for occupancy and administrative expenses as partial funding of two years' continued operations and expansion of services from six beds to twelve beds in two sober living facilities for men in La Jolla; and
- c. **San Diego Second Chance, Inc.** in the amount of \$100,000 for occupancy and administrative expenses as partial funding for two years' continued operations of the Second Chance transitional program, a 12-bed program for single adults in Golden Hill and downtown.

Recommendation No. 2: It is recommended that the Housing Commission approve one year grants of support to the following programs that received funding in prior years:

- a. **St. Vincent de Paul Village, Inc.** in the amount of \$90,000 for occupancy and administrative expenses as partial funding for one year's continued operation of the STEP program, a 38-bed program for women in the downtown area;
- b. **St. Vincent de Paul Village, Inc.** in the amount of \$170,000 for occupancy and administrative expenses as partial funding for one year's continued operation of the Fresh Start Program, a 150-bed program for men in the downtown area;
- c. **St. Vincent de Paul Village, Inc.** in the amount of \$170,000 for occupancy and administrative expenses as partial funding for one year's continued operation of the Family Living Center, a 110-bed program for families in the downtown area;
- d. **The Salvation Army** in the amount of \$120,000 for occupancy and administrative expenses as partial funding for one year's continued operation of the STEPS Program, a 50-bed program for men in the downtown area; and
- e. **YWCA of San Diego County** in the amount of \$95,000 for occupancy and administrative expenses as partial funding for one year's continued operation of Passages, a 49-bed program for women in the downtown area.

Recommendation No. 3: It is recommended that the Housing Commission Approve a grant of \$32,000 to the **Center for Community Solutions** partial funding of one year's occupancy and administrative expense to expand its transitional program to provide 18 beds in the Pacific Beach area.

Charles Christensen, General Counsel, disclosed that with respect to Item 107, the grant to the Salvation Army, the Chief Executive Officer is a nonpaid member of the board of the Salvation Army. As such, she has a non-interest under the provisions of Government Code Section 1090 and therefore no conflict exists. Mr. Christensen requested that this disclosure be reflected in the public record of the meeting.

SECOND BY TUMMINIA AND CARRIED ON UNANIMOUS VOTE OF 5-0, WITH COMMISSIONERS HILLS AND OXBERRY BEING ABSENT.

ADOPTION AGENDA - ACTION

101 HCR99-035 - Refunding of the \$4,150,000 City of San Diego Multifamily Revenue Bonds (Foxwood Apartments) (District 8)

Staff report was presented by Mr. Jack Farris, Financial Specialist. He indicated the owner, Mr. Marvin Zigman, requested the refunding of the bonds in order to keep the tax exempt debt financing on the project for another 30 years. The refunding will be done by the California Statewide Communities Development Authority (CSCDA) and will enhance the affordability, change the assumed household size, extend the affordability, and add a regulatory agreement on for fifteen years.

Mr. Mel Shapiro insisted that this project presented no public benefit and, there was no reason to subsidize the project with tax exempt bonds. He said the report didn't indicate how much the owner gains by the refinancing. He wants the Commission to require the restricted rents be below market rate. He wants Commission to inform the state agency that there is no public benefit to this project. Mr. Shapiro stated his intention to notify them.

Mr. Farris said the existing Letter of Credit is due to expire in September 1999. The alternatives for the owner are to: (1) line up a new Letter of Credit and keep the bonds outstanding for the next five years with no regulatory agreement; or (2) get a new Letter of Credit, the regulatory agreement remains in effect for fifteen years and the bonds remain in effect for 30 years.

Regarding market rate rents, Mr. Farris pointed out the rent is based on the furnishings selected by the renter and provided by the owner.

COMMISSIONER HILLS ARRIVED AT 9:30 A.M.

Much comment and discussion ensued. Commissioner Dick assessed the situation as the public benefit being marginal now, without a very deep subsidy, but in fifteen years the benefit may be higher with the regulatory agreement in place.

Ms. Morris pointed out that housing developments in San Diego are typically funded through two bond issuers: the City of San Diego and the Housing Authority of San Diego. Recently the City Auditor has determined they would prefer not to have housing bonds in the City's Bond Portfolio. They would rather they were Housing Authority bonds. If we move from the City to the Housing Authority, under the issuance laws the restrictions and the rules of the game change.

Mr. Zigman came in many months ago knowing he wanted a refunding. The Housing Commission reached an agreement with him. Then the City determined they preferred the bonds not be refunded in the City's name. If by the Housing Authority, different rules

would apply and the agreed upon financing could not be consummated. The way to maintain the agreement as reached with Mr. Zigman is to allow the bonds to be refunded by CSCDA which could do it under the same laws and restrictions under which the original City bonds were issued.

MOTION BY TUMMINIA, SECOND BY HILLS, TO RECOMMEND THE CITY COUNCIL HOLD A TEFRA HEARING AND APPROVE THE REFUNDING OF \$4,150,000 CITY OF SAN DIEGO MULTIFAMILY REVENUE BONDS BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY. MOTION CARRIED, 6-0, WITH COMMISSIONER OXBERRY BEING ABSENT.

Commissioner Dick requested reports have more detailed alternatives and that staff do more to anticipate potential questions from the board.

106 HCR99-052 - Creekside Villa Apartments Bond Refunding (District 4)

The staff report was presented by Jahi Akobundu, Assistant Project Manager. He outlined five reasons for recommending approval of the bond refunding:

1. The project has obtained very strong credit enhancement from Fannie Mae which is backing refunding bonds with a AAA rated pledge agreement.
2. The refunding strengthens the project's cash flow considerably.
3. The refunding preserves 30 percent of the units (43) for very-low income households.
4. The refunding extends the minimum affordable period by ten years, to year 2014.
5. It will enhance the project's affordability by having, not only income restrictions, but also rent restrictions.

Staff recommends the Housing Commission give the credit enhancer, Fannie Mae, the option to eventually cross-collateralize the Creekside Villa project with several other projects that are owned by the borrower.

Mr. Mel Shapiro spoke in favor of this issue. He referred to page 3 of the report, which indicates Section 8 renters will be charged restricted rates. He approved of this.

Mr. Tom Zeidner (Wasatch Property Management), spoke as a representative of the owners of Creekside Villa. The property was acquired in August 1998. The owner wants to introduce a mixed-use component and is willing to forego a portion of the tax credits, as well as the property tax abatement that benefited the prior owners but they took exception to staff's recommendation that Section 8 rents on any of the 43 units would be restricted. Mr. Zeidner suggested the Commission consider leaving the Section 8 rent

structure in place. The owner was willing to increase the number of units being rented to Section 8 renters.

Mr. Dell Loy Hansen, speaking for the owner, said if the restriction is imposed on the property and there is a cap on the Section 8 rents, they could consider taking the difference between the unrestricted rent (as it is now) and the restricted rent (that would be imposed as a function of this refunding) and set it aside in a capital improvement fund that would be controlled by Commission staff and the funds would be available and only disbursed upon approval by Housing Commission staff to do capital improvements on the property.

Commissioner Steinke inquired for how many units in total the owner receives market rate rent. Although there are qualified families in 50 percent of the units, adding in the Section 8 subsidy, some of those families that are income-eligible with Section 8 subsidies are paying market rate rent. How many units are rented out at market rate and how many are rented at restricted rent without obtaining subsidy of Section 8? Mr. Hansen responded that 57 percent of the project today would qualify as very-low income people.

When asked by Commissioner Dick how many of the Section 8 units were restricted units under the bond financing restrictions, Mr. Hansen responded that 30 percent need to be restricted. He said further, when they built the property it was 100 percent restricted units. Everybody had to be income-qualified below 50 percent MAI. The project failed miserably under those guidelines.

Neal Arthur asked what had become of the low-income and very-low income people who were living there when the property was purchased. On site Property Manager Kristie Rice said that right now 93 percent of the households are made up of low-income people (80 percent MAI) of which 57 percent are earning less than 50 percent MAI. She assured the board that all prospective renters are treated equally. They are trying to upgrade the property to attract role models.

Ms. Morris said many years ago Commission bond counsel advised that the Commission could NOT use the bond restricted rent ceiling for Section 8. Bond Counsel had advised us to pay the full market rent, the unrestricted rent. Bond Counsel changed their opinion a number of years ago and every bond issued since then included a provision that the rent restriction would apply even if Section 8 is in the unit. That's what staff is suggesting be done here. For the nonbond-restricted units, they can charge the market rate rent to the Section 8 program, but staff recommendation is that for the bond restricted units, Section 8 not pay more than the restricted rent (the rent they would get if they were rented to a non-Section 8 household). The fact that part of the rent comes from Section 8 should make no difference.

Ms. Morris informed the board that the owner's request was made after the report was prepared. Chair Arthur summed it up: Staff came here today with the deal basically in order and this morning they heard about the owner wanting 20 percent restricted units as opposed to the 30 percent? He was told that was correct. Staff was asking for a refunding. The benefit provided for that refunding is approximately \$124,000 savings per year in debt service. You can take away \$45,000 if they don't collect the full Section 8 so they have a net savings to the ownership of \$80,000.

Chair Arthur asked if this item could be continued to the next meeting and Mr. Hansen responded that they could not because Wells Fargo wanted out the deal now.

Mr. John Hamilton (CSG Advisors) said Fannie Mae had underwritten the loan based on a 1.20 debt coverage with the assumption the project couldn't collect Section 8 rents above the restricted rents and from their perspective the project works. Fannie Mae has reduced the loan amount to \$5,560,000. The purchase price is \$5,800,000 and the owner needs another \$240,000 to pay off Wells Fargo, and that's like a standard 4 percent down payment.

Commissioner Steinke asked staff to go back with these people and work on the numbers. Commissioner Hills concurred. She asked staff what would it take to allow the owner to be able to make the changes and necessary arrangements and still not be in the hole. She wanted to see them succeed because there was a serious need in that area.

COMMISSIONER STEINKE LEFT THE MEETING AT 11:04 A.M..

Commissioner Dick asked General Counsel if it was legal to pay the market rate rents. Mr. Christensen advised the board that a motion to approve the staff report without requiring that the restricted rents also apply to the units occupied by Section 8 households, would have to go to the Housing Authority because that would be a variance from policy, and only the Housing Authority could vary from policy.

Commissioner Grinchuk said there had too much discussion that deviated from the original report and he was going to abstain from voting. Commissioner Tumminia said she agreed with Commissioner Grinchuk, pointing out that Mr. Hansen wants something other than what was before the board in the report.

MOTION MADE BY DAVID DICK TO APPROVE THE RECOMMENDATION WITH THE EXCEPTION THAT THE FIRST PARAGRAPH ON PAGE 3 REGARDING RENT RESTRICTIONS WOULD NOT BE IMPLEMENTED FOR A PERIOD OF FIVE YEARS AND WITH THE ADDITION OF A REQUIREMENT THAT RENT PAYMENTS IN EXCESS OF WHAT WOULD OTHERWISE HAVE BEEN RECEIVED ON THOSE UNITS BE ESCROWED IN A FUND CONTROL FOR THE PURPOSE OF MAKING CAPITAL IMPROVEMENTS AND MONITORED BY THE HOUSING COMMISSION. AT THE END OF THE FIVE YEARS THE RENT RESTRICTIONS WILL RETURN. FURTHER, ON THE ADVICE OF GENERAL COUNSEL, THIS MOTION IS SUBJECT TO THE VIABILITY OF THE

REPLACEMENTS. UPON REVIEW BY COUNSEL, IF IT IS DETERMINED THAT THE MOTION IS IMPROPER, THE RECOMMENDATION WILL DEFAULT TO THE STAFF'S ORIGINAL RECOMMENDATION UNMODIFIED.

SECOND BY HILLS.

Mr. Hansen said he could live with that.

Commissioner Grinchuk asked why this item hadn't come to the board earlier. Mr. Hansen responded that after the transfer of ownership you have to wait six months before you can recast a bond. Wells Fargo gave them 7-1/2 months and the owner extended one time. The item was scheduled for an earlier meeting but the owner's attorney delayed it.

THE VOTE WAS TAKEN AND THE AYES WERE: HILLS, TUMMINIA, ARTHUR, AND DICK WITH COMMISSIONER GRINCHUK ABSTAINING. OXBERRY AND STEINKE BEING ABSENT.

CHAIR ARTHUR CALLED FOR ITEM 110 OUT OF ORDER .

110 HCR99-054 - Presentation on Homelessness (Citywide)

Nancy Williams gave a presentation to inform the Board of current affordable housing/supportive services needs of the City of San Diego's homeless population and available resources to address the need.

She introduced David Allsbrook, Chair of the Regional Task Force on the Homeless and staff to Centre City Development Corporation, and Ross McCollum, the City's Homeless Coordinator who responded to several inquiries from the board.

Mr. Alfred Weber, spoke on behalf of First Lutheran Church in support of an increased federal budget for homeless needs, more permanent and temporary winter shelters, housing for all persons in need (the poor, the unemployed) and to get people back on the job. He said the church supports the Commission's efforts to provide more housing for more people in the City.

Chair Arthur asked the CEO about the Commission's obligation to the homeless. He pointed out the misconception that the Housing Commission was responsible for the homeless and that was not the case. The CEO responded that \$1,000,000 is part of the Naval Training Center reuse agreement which is a binding agreement between the City and the federal government. The City obligated the Housing Commission to be partially responsible for a \$7,500,000 program. Beyond that there are no firm obligations. The Commission underwrites part of the cost for a number of programs. Most involve funding support of transitional or permanent housing for formerly homeless people. Very little goes to emergency or winter shelter.

Nancy Williams referred the board to Table III in the report which outlines assistance to the homeless from the Housing Trust Fund, HUD-funded programs administered by the Commission, and other homeless-related programs of the Housing Commission.

The presentation was "*Informational Only*" and no action was taken.

108 HCR99-049 - Loan to Chicano Federation for the Acquisition and Rehabilitation of 5052 Wightman Street (District 7)

COMMISSIONER TUMMINIA CHAIRED THE MEETING FOR THIS ITEM.

Commissioner Grinchuk expressed concern that this proposal didn't receive an endorsement from the City Heights Community Planning Committee. David Schuh told him it went back to the Committee on Monday night and they voted to support the project. The Committee had no issues with the project.

MOTION BY COMMISSIONER DICK, SECOND BY GRINCHUK TO APPROVE RECOMMENDATIONS. MOTION CARRIED, 4-0, WITH CHAIR ARTHUR OUT OF THE ROOM AND COMMISSIONERS OXBERRY AND STEINKE BEING ABSENT.

**109 HCR99-040 - Proposed Fiscal Year 2000 Budget (Citywide)
(TRAILED FROM APRIL 23, 1999 HOUSING COMMISSION MEETING)**

CHAIR ARTHUR RETURNED TO THE ROOM TO CHAIR THE REST OF THE MEETING.

The CEO pointed out that the focus on the budget at the last meeting had been on noncategorical funds where the Commission had discretion and reissued a prior report including information on programs funded with non-categorical revenue.

Commissioner Hills asked what the percentage of rental assistance was compared to home ownership. Ms. Morris said rental assistance was over half (\$54 million out of \$100.7 million) of the budget and homeownership is about \$4.7 million.

MOTION BY COMMISSIONER DICK TO APPROVE THE BUDGET, SECOND BY HILLS. BUDGET APPROVED BY A VOTE OF 5-0, WITH COMMISSIONERS OXBERRY AND STEINKE ABSENT.

CLOSED SESSION

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

Only one matter was discussed.

INSTRUCTIONS WERE GIVEN TO COUNSEL BY A VOTE OF 4-0 TO APPROVE SETTLEMENT, WITH NEAL ARTHUR ABSTAINING, AND COMMISSIONERS OXBERRY AND STEINKE BEING ABSENT.

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

Agency Negotiator: Elizabeth C. Morris and/or Pat Duplechan
for the San Diego Housing Commission

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

NO ACTION WAS TAKEN ON THIS ITEM.

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

ADJOURNMENT

Chair Arthur adjourned the meeting at 12:20 p.m.

Respectfully submitted,

Rob Albrecht
Docket Coordinator

**Signature on File with
Original Document**

Approved by,

Elizabeth C. Morris
Chief Executive Officer