



Good Neighbors

San Diego
Housing Commission

MINUTES

**SAN DIEGO HOUSING COMMISSION
MINUTES OF THE REGULAR MEETING
MARCH 23, 1998
CITY ADMINISTRATION BUILDING
202 C STREET, 12TH FLOOR
SAN DIEGO, CALIFORNIA**

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

10 CALL TO ORDER

Chair Arthur called the meeting to order at 9:07 a.m.

20 PUBLIC COMMENT

Several members of the public - Mr. Ronald Anderson, Mr. Roger Scott, and Mr. Daniel Fagan - spoke in behalf of the city's homeless. Mr. Fagan inquired about the activities of the Homeless Advisory Committee. Mr. Jeff Washington from the Community and Economic Development Department, responded that the committee was constituted, but has been inactive. Mr. Fagan recommended the Housing Commission request reactivation of this committee, complimented the Commission on the Consolidated Plan's analysis of the alcoholic, drug, homeless issues, and urged the Commission to work together with the Planning Commission and Land Use & Housing Committee to direct local funds to provide year-round shelter for the homeless.

Ms. Morris clarified to the Board that the preceding public comments regarding homelessness had been directed toward the contents of the FY99 Consolidated Plan, this meeting's agenda item #103.

Mr. Mel Shapiro volunteered to assist staff in expediting the release of the overdue Program Progress Report, and suggested reordering the agenda so that discussions on the Consolidated Plan follow Budget discussions.

Mr. Gerry Kaye, a Section 8 landlord, expressed his dissatisfaction with the Commission's process in retrieving past rent overpayments. Commissioner Oxberry expressed his concern that this process be carried out with heightened sensitivity; General Counsel Chuck Christensen assured Mr. Kaye that the matter and his case in particular would be discussed in Closed Session.

30 COMMISSIONER COMMENTS

Commissioner Dick again called attention to the vacancies on the Housing Commission Board. Mr. Dick supported Mr. Shapiro's opinion that reports should be issued on a timely basis, and suggested that the due date and date of completion be clearly stated on each report.

Commissioner Oxberry thanked Ms. Morris for the survey of current accomplishments prepared for the Board.

40 REPORT BY THE EXECUTIVE DIRECTOR

Ms. Morris reported on her recent trip to Washington, D.C. to attend the 1998 NAHRO Legislative Conference with Commissioner Macias and Program Manager Nancy Williams. Topics for conference discussions included HUD's proposed budget, the pending authorization bill, contract renewals for the Section 8 program, and legislation regarding expansion of the bond ceiling and tax credit provisions. Ms. Morris also met with Congressmen and their staffs, and visited the Department of Defense Office of Housing Revitalization Support.

Commissioner Macias did research in Washington on funds for housing for people with developmental disabilities, and asked for the Commission's support as she pursues the possibilities for collaboration with other agencies in San Diego to address these issues. Ms. Macias also suggested follow-up discussions concerning the difficulty Section 8 participants have paying move-in costs, which is customarily one month's rent in advance.

50 APPROVAL OF THE MINUTES

MOTION MADE BY COMMISSIONER OXBERRY TO APPROVE THE MINUTES OF FEBRUARY 23, AND MARCH 9, 1998. MOTION SECONDED BY COMMISSIONER MACIAS AND CARRIED ON A VOTE OF 5-0, WITH COMMISSIONER NOTTLEY BEING ABSENT.

ADOPTION AGENDA - CONSENT

Due to requests from the public to speak on each of the agenda items, no items were carried on consent.

ADOPTION AGENDA - ACTION AGENDA

100 **HCR98-032 - Issuance of Housing Revenue Bonds for Mountain View Estates Apartments (Council District 4)**

The staff report was presented by Senior Financial Analyst Jan Laufik, with Financial Specialist Jack Farris, and Housing Finance Manager Pat Getzel on hand for questions.

Mr. Laufik outlined the terms of staff's recommendation for issuance of tax-exempt housing revenue bonds to provide permanent financing for the acquisition and rehabilitation of the 145-unit Mountain View Estates Apartments, formerly known as Town and Country Village Apartments.

Mr. Mel Shapiro disputed the Development Disclosure Statement's claim that the applicant is not in litigation, asked why there was not a current operating statement or balance sheet for Mountain View Apartments, pointed out an apparent discrepancy in the calculated rent income figures, and, finally, questioned the reported budget numbers for the debt service.

Mr. Robert Ito clarified that the financial statement referred to by Mr. Shapiro is of the San Diego Community Housing Corporation, not the Mountain View project in particular. With regard to the litigation issue, a partnership in which the Community Housing Corporation is involved, but not the general managing member, is pursuing a contractor.

Mr. Ito testified to the work that has been done since this project was first brought to the Board in September 1996, and the timing of future rehabilitation with and without this financing.

Commissioner Dick asked staff to work with Mr. Ito's financial advisors to address the issues raised by Mr. Shapiro.

MOTION MADE BY COMMISSIONER DICK TO ACCEPT STAFF'S RECOMMENDATIONS:

RECOMMENDATION NO. 1: THAT THE HOUSING COMMISSION RECOMMEND HOUSING AUTHORITY AUTHORIZATION FOR THE ISSUANCE OF UP TO \$4,653,750 OF MULTIFAMILY HOUSING REVENUE BONDS TO PROVIDE PERMANENT FINANCING FOR THE ACQUISITION AND REHABILITATION OF THE 145-UNIT MOUNTAIN VIEW ESTATES APARTMENTS (FORMERLY KNOWN AS TOWN AND COUNTRY VILLAGE APARTMENTS) LOCATED AT 4066 MESSINA DRIVE, BY MOUNTAIN VIEW PROPERTIES, LTD, A CALIFORNIA LIMITED PARTNERSHIP, SUBJECT TO

ISSUANCE OF FINAL LOAN INSURANCE COMMITMENT BY FHA. PERMANENT TAX-EXEMPT BOND FINANCING WAS ANTICIPATED AT THE TIME OF THE HOUSING COMMISSION'S LOAN APPROVAL FOR THE PROJECT IN 1996.

RECOMMENDATION NO. 2: THAT THE HOUSING COMMISSION APPROVE THE FINANCING TEAM CONSISTING OF CGMS INCORPORATED AND CIC RESEARCH, INC. (MBE - 20 PERCENT), FINANCIAL ADVISOR; AND FULBRIGHT & JAWORSKI, BOND COUNSEL, FOR THE PROPOSED BOND ISSUANCE.

RECOMMENDATION NO. 3: THAT THE HOUSING COMMISSION SUBORDINATE TO A THREE-YEAR SECONDARY FINANCING, UP TO \$276,595, FROM MERCY HOUSING TO SUPPLEMENT THE PROJECT'S PERMANENT FINANCING, SUBJECT TO THE PROJECT'S OVERALL LOAN-TO-VALUE RATIO NOT EXCEEDING THE 1.15 LOAN TO VALUE COVERAGE REQUIREMENT SET PREVIOUSLY FOR THE FINANCING BY THE HOUSING COMMISSION.

RECOMMENDATION NO. 4: THAT THE HOUSING COMMISSION APPROVE THE HUD-REQUIRED EXTENSION OF THE TERM (TO 35 YEARS FROM THE EXISTING 30 YEARS) AND MODIFICATION OF CERTAIN OTHER PROVISIONS UNDER THE EXISTING \$2.1 MILLION HOUSING COMMISSION LOAN, AS DESCRIBED IN THE REPORT. IT IS SO RECOMMENDED IN ORDER TO PRESERVE THE HOUSING COMMISSION'S FORECLOSURE RIGHTS UNDER ITS JUNIOR FINANCING AND TO EXTEND THE PROJECT'S AFFORDABILITY TERM BY THE SAME PERIOD OF TIME.

MOTION SECONDED BY COMMISSIONER MACIAS AND CARRIED ON VOTE OF 5-0, WITH COMMISSIONER NOTTLEY BEING ABSENT.

COMMISSIONER MACIAS LEFT THE MEETING.

101 **HCR98-038 - Issuance of Housing Revenue Bonds for a Pool of Three Affordable Multifamily Housing Projects (Council Districts 4 and 8)**

Staff report was presented by Mr. Jan Laufik, with Ms. Pat Getzel on hand for questions.

Mr. Laufik clarified for Mr. Oxberry that the intention of the disclaimer language was to stress that the inducement resolution does not imply a commitment by the Housing Commission to provide the funds requested.

Commissioner Dick disclosed that Mr. Cassiola, representative for the applicant, Southwest Affordable Housing LLC, was once a client of Mr. Dick's in his former

association with the Shelter Resource Corporation, but Counsel determined that there was no conflict of interest in this matter.

Commissioner Dick asked staff to respond to the issue raised by Mr. Shapiro about litigation concerning the Westwood Partnership. Mr. Christensen clarified that the litigation was a foreclosure action that was brought against the Westwood Partnership regarding a loan made by the Housing Commission in 1991, that the differences were resolved, and the settlement was approved by the Board in Closed Session.

Referring back to the previous agenda item, Mr. Dick then asked Mr. Wynn of the San Diego Community Housing Corporation to explain the apparent incongruity in the financial projections of the Project Status Report for the Towne & Country rentals. Mr. Wynn explained that the projections were conservative, that all units are in service with 97-100% occupancy, and that though he is comfortable with the project's performance, he was not clear why the numbers did not reflect this level of performance. Mr. Dick expressed his concern about the shortfall in these budget projections. Mr. Robert Ito offered to take the question back to his controller and return to the Commission with a timely explanation. Mr. Dick emphasized the need for timeliness, as they had just approved the action. Mr. Oxberry added that actions taken by the Board are based on information provided in the report, and that if this information proves to be inaccurate, the action taken by the Board could be reversed. Mr. Dick thanked Mr. Shapiro for his observations.

Mr. Dick stated that it was unusual for the Board to be asked to approve bond inducement resolutions for a combination of projects; Mr. Laufik responded that this method has proven to be cost effective.

Ms. Morris disclosed that the Sunrise Village apartments were located next door to the Housing Commission's Calle Primera housing development. Mr. Christensen that this provided no conflict of interest in this issuing of bonds.

**MOTION MADE BY COMMISSIONER DICK TO ACCEPT THE FOLLOWING
RECOMMENDATIONS:**

**RECOMMENDATION NO. 1: THAT THE HOUSING COMMISSION
RECOMMEND:**

- 1. HOUSING AUTHORITY APPROVAL OF A BOND INDUCEMENT RESOLUTION AND AN APPLICATION TO THE STATE FOR AN ALLOCATION OF BOND ISSUING AUTHORITY FOR THE SUNRISE VILLAGE APARTMENTS LOCATED 130-158 CALLE PRIMERA; WESTWOOD VILLAGE APARTMENTS LOCATED AT 4914 LOGAN AVENUE; AND HOLLY HILLS VILLAGE APARTMENTS LOCATED AT 6325 POTOMAC STREET ; AND**

2. THAT THE CITY COUNCIL HOLD A PUBLIC HEARING ("TEFRA" HEARING) AND APPROVE A RESOLUTION APPROVING THE ISSUANCE OF BONDS FOR THE PROJECTS BY THE HOUSING AUTHORITY.

RECOMMENDATION NO. 2: THAT THE HOUSING COMMISSION APPROVE LITTEN FINANCIAL AND KOSMONT & ASSOCIATES, INC. (MBE-20 PERCENT), FINANCIAL ADVISOR; STRADLING YOCCA CARLSON & RAUTH AND ROBINSON & PEARMAN (MBE - 20 PERCENT), BOND COUNSEL. BOND UNDERWRITER, IF NECESSARY, WILL BE DESIGNATED IN ACCORDANCE WITH THE EXISTING POLICY.

MOTION SECONDED BY COMMISSIONER TUMMINIA AND CARRIED ON UNANIMOUS VOTE OF 4-0, WITH COMMISSIONERS NOTTLEY AND MACIAS BEING ABSENT.

102 **HCR98-034 - Proposed Acquisition and Rehabilitation of 3820-26 43rd Street by City Heights Community Development Corporation (Council District 3)**

Staff report was presented by Project Manager Dave Schuh to approve a loan to City Heights Community Development Corporation (CHCDC) and subordination of that loan to a subsequent Affordable Housing Program loan. The project came to the Housing Commission through a Request for Proposals process seeking projects to be privately owned and operated for low income housing. This proposal is to acquire the property, perform general rehabilitation and reconfigure existing units. Mr. Schuh pointed out that there was a risk that, in the event of the project's failure or foreclosure, the Housing Commission could lose its money. Mr. Schuh also stated that though staff had concerns about the high loan-to-value ratio, the recommendation was for approval due to strong community support and potential for the project to stimulate future improvements and investments in the neighborhood.

Les Pierres Streater, President of the CHCDC's Board of Directors, and Mr. Robert Robinson, a boardmember of the CHCDC and member of the City Heights area Planning Committee, spoke in support of the community's need for this project and its capacity to improve the quality of life and revitalize housing stock in the area.

Commissioner Tumminia asked why units were being converted to larger units of a reduced number. Mr. Powell explained that these conversions reflect the needs of the community. Staff agreed.

Mr. Jay Powell requested an increase in the proposed developer fee; he believed the higher fee would be supported by the increasing market value of the project. Staff's recommendation was for a developer fee of 3.8%; Mr. Powell proposed 6.9-8.0%. Mr. Schuh explained that the decision for the lower fee had been made in an effort to keep

the loan-to-value ratio down; one alternative would be to increase the fee to 8%, and treat it as a grant.

Chairman Arthur stated that he was not bothered by the loan-to-value because of his confidence in the success of the project, and the track record of the CHCDC, but that he was not in favor of setting precedent with a grant.

After discussion regarding the financing, debt coverage for the conventional loan, and appraised value of the project, Mr. Dick proposed that it might be more prudent to move the amount of the developer's fee forward in stages, as the project developed and as appraisal value increased.

MOTION MADE BY COMMISSIONER DICK TO APPROVED STAFF'S RECOMMENDATION AT THIS TIME, TO PREAPPROVE THE REQUESTED 8% DEVELOPER'S FEE, BUT WITHHOLD THIS ADDITIONAL AMOUNT OF LOAN PROCEEDS IN ABEYANCE UNTIL AN APPRAISAL CAN BE DELIVERED (FROM THE SAME APPRAISER) WITHIN A YEAR, DEMONSTRATING THAT THE VALUE HAS ACHIEVED A LEVEL TO SUPPORT THE DISBURSEMENT OF THE FULL AMOUNT OF THE HOUSING COMMISSION LOAN, WITHOUT INCREASING THE LOAN-TO-VALUE RATIO ON THE PROPERTY.

RECOMMENDATION NO. 1: THAT THE HOUSING COMMISSION RECOMMEND APPROVAL OF A LOAN OF UP TO \$808,976 TO CITY HEIGHTS COMMUNITY DEVELOPMENT CORPORATION FOR THE ACQUISITION AND REHABILITATION OF 36 UNITS AT 3820-26 43RD STREET ON CONDITION THAT \$50,754 (AN AMOUNT THAT REPRESENTS AN INCREASE IN THE DEVELOPER FEE FROM 3.8 PERCENT TO 8 PERCENT) OF THE LOAN PROCEEDS BE WITHHELD UNTIL AFTER REHABILITATION IS COMPLETED AND FUNDED ONLY IF THE APPRAISER ISSUES AN OPINION THAT THE AFTER REHABILITATION VALUE HAS INCREASED IN AN AMOUNT COMPARABLE TO THE INCREASE IN THE DEVELOPERS FEE. IT IS FURTHER RECOMMENDED THAT THE EXECUTIVE DIRECTOR BE AUTHORIZED TO EXECUTE ANY AND ALL NECESSARY DOCUMENTS SUBJECT TO APPROVAL OF GENERAL COUNSEL.

RECOMMENDATION NO. 2: THAT THE HOUSING COMMISSION APPROVE THE SUBORDINATION OF THE SUBJECT LOAN TO A SUBSEQUENT AFFORDABLE HOUSING PROGRAM (AHP) FORGIVABLE LOAN OF \$90,000 IF CITY HEIGHTS COMMUNITY DEVELOPMENT CORPORATION IS SUCCESSFUL IN APPLYING FOR AN AHP LOAN. IT IS FURTHER RECOMMENDED THAT THE EXECUTIVE DIRECTOR BE AUTHORIZED TO EXECUTE SUBORDINATION DOCUMENTS AS APPROVED BY GENERAL COUNSEL.

MOTION SECONDED BY COMMISSIONER TUMMINIA AND CARRIED ON UNANIMOUS VOTE OF 4-0 WITH NOTTLEY AND MACIAS BEING ABSENT.

103 **HCR98-036 - FY99 Consolidated Plan (Citywide)**

Staff report presented by Program Manager Nancy Williams, with Program Analyst Rudy Cervantes on hand for questions. The FY99 Consolidated Plan was presented to the Board for review and to provide comment at the Housing Commission Meeting of April 13, the close of the federally mandated 30-day public comment period .

Ms. Williams gave a brief summary of the City of San Diego's multi-faceted goals for affordable housing, and the programs and strategies planned to meet the city's needs. Ms. Williams stressed the importance of community input and collaboration, and cited the scheduled opportunities for public. The Consolidated Plan would be returned to the Housing Commission on the 13th of April, before moving on to the Land Use & Housing Committee on April 22. It will be presented to City Council on May 5th for deliberation on May 11th.

Ms. Williams introduced the Consolidated Plan as the link between important community development initiatives, facilitating and coordinating collaborations to best utilize available federal funds.

Mr. Mel Shapiro suggested that in the interest of citizen participation, public comments from the hearings be included in the Consolidated Plan in their entirety, not in summary. Mr. Shapiro referred to a table on page 50 of the Consolidated Plan, and questioned the figures concerning shared housing and who it serves. Mr. Shapiro also sought information on what other programs were in existence to serve people with extremely low-income. Mr. Shapiro suggested that the Plan should show how much money is being spent for each income group, and how many homeless will be assisted and for how long. Mr. Shapiro pointed out that page 50 also shows that in FY97 the actual for rental assistance was zero, and he asked to know why this was so.

THIS ITEM WILL RETURN FOR COMMENTS FROM THE COMMISSIONERS ON APRIL 13.

104 **HCR98-033 - FY99 BUDGET WORKSHOP - Allocation of Non-Categorical Funds (Citywide)**

The staff report was presented by Financial Management Manager Tim Sturtevant as part of the FY99 Budget discussions.

Ms. Morris suggested discussing this and the following item together, as costs for Item 105 were reflected in Item 104.

105 **HCR98-037 - FY99 BUDGET WORKSHOP -Multifaceted Approach to Affordable Housing (Citywide)**

Staff report was presented by Project Manager Joe Correia to open discussion and seek direction from the Board regarding the best use of non-categorical funds in the City's multifaceted approach to affordable housing.

Mr. Mel Shapiro expressed his disappointment that no discussion ensued on these two budget issues. Mr. Shapiro also suggested that charts in the budget should reflect what income groups are served by the allocations, and complained that the figure allocated for rental assistance was too low. Ms. Morris explained that these figures do not reflect the entire budget - only the non-categorical funds, and that in fact, the vast majority of categorical funds do go toward rental assistance.

Mr. Dick reinforced Ms. Morris' position and spoke in support of using discretionary funds to advance the cause of homeownership and development. Mr. Dick also professed that the lack of comment on these elements of the budget did not represent lack of interest in the subject, as implied by Mr. Shapiro, but satisfaction with the progress of the budget preparation as reported.

CLOSED SESSION

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

(a) SDHC v. Top of the Hills
San Diego Municipal Court Case No.: 598659

INSTRUCTIONS WERE GIVEN TO COUNSEL BY A 4-0 VOTE, WITH COMMISSIONERS NOTTLEY AND MACIAS BEING ABSENT.

(b) Hidden Valley Construction v. San Diego Housing Authority
San Diego Superior Court Case No.: 704467

INFORMATIONAL ONLY. NO ACTION 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.

BY A 4-0 VOTE (WITH COMMISSIONERS NOTTLEY AND MACIAS BEING ABSENT), COUNSEL WAS DIRECTED TO OFFER TWO SPECIFIC OWNERS THE OPPORTUNITY TO GIVE ADDITIONAL INFORMATION TO THE COMMISSION CONCERNING RENT ROLLS, IN ADVANCE OF FILING LITIGATION. COUNSEL IS TO COMMUNICATE WITH THOSE INDIVIDUALS AND ATTEMPT TO TOLL THE STATUTE OF LIMITATIONS CONCERNING THE SUPPLYING OF THAT INFORMATION..

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

Agency Negotiator: Elizabeth Morris and/or Ron Novello for the San Diego Housing Commission

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

INFORMATIONAL ONLY. NO ACTION TAKEN.

IV. Announcement of Actions Taken in Closed Session

ADJOURNMENT

Chair Arthur adjourned the meeting at 11:45 a.m.

Respectfully submitted,

Margaret Hill
Executive Secretary

**Signature on File With
Original Document**

Approved by,

Elizabeth C. Morris
Executive Director