



Good Neighbors

San Diego
Housing Commission

MINUTES

**SAN DIEGO HOUSING COMMISSION
MINUTES OF THE REGULAR MEETING
OCTOBER 5, 1998
CITY ADMINISTRATION BUILDING
202 C STREET, 12TH FLOOR
SAN DIEGO, CALIFORNIA**

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

Note: Due to a technical malfunction, this meeting was not recorded and Minutes were prepared from notes of participating staff members.

10 CALL TO ORDER

Chair Arthur called the meeting to order at 9:14 a.m.

20 PUBLIC COMMENT

Mr. Mel Shapiro requested that the Information Reports be listed on meeting agendas when they are released so that the public is aware that they are available.

30 COMMISSIONER COMMENTS

Commissioner Grinchuk thanked General Counsel for responding to his inquiry from the September 21 meeting (regarding the issue of giving preference to local businesses when awarding contracts).

Chair Arthur called attention to the fact that the agenda for this meeting was incorrectly numbered. There was no item 101, and all items would be considered and voted on as numbered in the agenda.

40 REPORT BY THE EXECUTIVE DIRECTOR

None.

50 APPROVAL OF THE MINUTES

Mr. Christensen asked that the following correction be made in the reporting of action taken in Closed Session, Item I (a): "COUNSEL WAS GIVEN INSTRUCTIONS BY A VOTE OF 4-0, WITH COMMISSIONERS DICK, OXBERRY, AND NEAL BEING ABSENT."

MOTION MADE BY COMMISSIONER TUMMINIA TO APPROVE THE MINUTES OF SEPTEMBER 21, 1998, WITH THE ADJUSTMENT MADE AS REQUESTED. MOTION SECONDED BY COMMISSIONER GRINCHUK AND CARRIED ON UNANIMOUS VOTE OF 6-0, WITH COMMISSIONER DICK BEING ABSENT.

ADOPTION AGENDA - CONSENT

MOTION MADE BY COMMISSIONER TUMMINIA TO APPROVE THE FOLLOWING ITEMS ON CONSENT:

102 HCR98-128 - Application for Mortgage Credit Certificate Allocation (Citywide)

RECOMMENDATION: THAT THE HOUSING COMMISSION RECOMMEND THAT THE HOUSING AUTHORITY (1) COMMUNICATE TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE (CDLAC) THE CITY'S STRONG SUPPORT FOR A LARGER ALLOCATION OF THE STATE'S BONDING AUTHORITY TO LOCAL MSS PROGRAMS AND (2) AUTHORIZE AN APPLICATION TO CDLAC FOR UP TO A \$75,000,000 ALLOCATION OF MORTGAGE CREDIT CERTIFICATES (MCCS) IN FY99.

105 HCR98-127 - Trustee's Sale - 5510 DREAM STREET (Council District 4)

RECOMMENDATION: THAT THE TRUSTEE'S SALE PROCEED WITHOUT HOUSING COMMISSION PARTICIPATION.

106 Loan to South Bay Community Services for the Acquisition and Rehabilitation of 135 Averil Road (Council District 8)

RECOMMENDATION: THAT THE HOUSING COMMISSION RECOMMEND HOUSING AUTHORITY APPROVAL OF A LOAN TO SOUTH BAY COMMUNITY SERVICES OF UP TO \$630,700 TO BE UTILIZED IN CONJUNCTION WITH THE HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA) GRANT IN THE AMOUNT OF \$600,000 AND THE \$220,000 HOME PROGRAM FUNDS WHICH HAVE PREVIOUSLY BEEN APPROVED BY THE COUNTY OF SAN DIEGO FOR THE ACQUISITION AND REHABILITATION OF A 25-UNIT PROPERTY LOCATED AT 135 AVERIL ROAD.

108 Annual Report (Citywide)

RECOMMENDATION: THAT THE HOUSING COMMISSION RECEIVE AND DISCUSS THE ANNUAL REPORT.

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

ADOPTION AGENDA - ACTION AGENDA

100 HCR98-123 - CONTINUED SUPPORT OF THE CITY-COUNTY REINVESTMENT TASK FORCE (CITYWIDE)

The staff report was presented by Loan Manager Steve Mikelman, requesting approval of a contract in the amount of \$60,264 (including salary and benefits) with Mr. Jim Bliesner to provide primary staff support to the City-County Reinvestment Task Force (RTF) for the remainder of FY99. The report included key accomplishments of RTF during FY98 and plans for FY99. Mr. Bliesner was on hand for questions.

Commissioner Steinke requested more background information about RTF to better understand what was provided in return for continued support by the Housing Commission. Mr. Bliesner agreed to provide Commissioner Steinke with copies of past Reinvestment Task Force Reports to provide a better understanding of areas in which the Task Force has been involved and related accomplishments.

Commissioner Oxberry inquired into the funding of the Task Force. Mr. Bliesner indicated that primary funding for the Reinvestment Task Force is provided by the Housing Commission and the County of San Diego; each has provided \$40,000 annually in core support for several years. Supplemental funding is provided through award of contracts for reinvestment related research. In recent years, the Task Force has conducted research regarding low income home buyer access to private mortgage insurance and credit needs within the Mid-City area. The Task Force also recently attracted public and private support for a Countywide Credit Needs Assessment that will be conducted by an outside consultant team.

MOTION MADE BY COMMISSIONER HILLS TO 1) AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT WHICH PROVIDES UP TO \$60,264 (\$44,044 IN SALARY AND \$13,220 IN BENEFITS) FOR THE REINVESTMENT DIRECTOR FROM OCTOBER 1, 1998 TO JUNE 30, 1999. FUNDING FOR THE FIRST THREE MONTHS OF FY99 HAS BEEN PROVIDED THROUGH AN AMENDMENT TO MR. BLIESNER'S FY98 CONTRACT WITH THE HOUSING COMMISSION; AND 2) ACCEPT FUNDS IN AN AMOUNT UP TO \$40,000 FROM THE COUNTY OF SAN DIEGO IN PARTIAL SUPPORT OF RTF, AND AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE, WITH REVIEW OF GENERAL COUNCIL, DOCUMENTS NECESSARY TO OBTAIN THE SUBJECT FUNDS.

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

103 HCR98-125 - Agreement with San Diego Funding for Processing and Underwriting Services (Citywide)

Mr. Steve Mikelman presented the staff report which recommended delegating, on a pilot basis, specified processing and underwriting functions related to the Shared Equity Silent Second Loan Program to San Diego Funding as another step in streamlining the loan application approval process. San Diego Funding is one of six lenders who participated in the program in FY98.

Commissioner Grinchuck asked how San Diego Funding was selected for participation in the pilot program. Mr. Mikelman explained that the staff recommendation was based on the quality and number of loan packages submitted in FY98, the responsiveness and stability of their staff, and the fact that processing, underwriting and approval functions were all completed in one location.

At the request of Commissioner Oxberry, Mr. Frank Arrington, SDF Chairman and CEO, explained what it meant to be an FHA "delegated" lender, and to be designated as "Approved" by CHFA, Fannie Mae, Freddie Mac, and PERS.

Commissioner Steinke requested that staff report back to the Board the results of the pilot study, with outcomes and recommendations so that the Board can determine how to proceed in the future.

MOTION MADE BY COMMISSIONER OXBERRY AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE AN AGREEMENT WITH SAN DIEGO FUNDING (SDF) TO PROCESS AND UNDERWRITE THE COMMISSION'S SHARED EQUITY SILENT SECOND MORTGAGE PROGRAM LOANS WHILE PERFORMING SIMILAR FUNCTIONS RELATED TO FIRST MORTGAGE LOANS WHICH THEY FUND. COMMISSION STAFF WOULD RETAIN AUTHORITY TO APPROVE LOANS SUBMITTED BY SDF AND CONTINUE TO FUND APPROVED SECOND MORTGAGE LOANS.

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

Chair Arthur made the following change in order of items heard, to accommodate Commissioner Steinke's absence from discussion of Item 104.

107 \$1,200,370 Development Loan to 33rd Street Family Housing Limited Partnership (33rd Street LP) for New Construction of Rental Housing (Council District 8)

Staff Report was presented by Ms. Pat Getzel, Housing Finance Manager, with Project Manager Roger Nulton on hand for questions.

Mr. Mel Shapiro spoke in opposition to the recommendation, raising questions concerning the RFP review process, the applicant's financial statement and credit report,

staff's evaluation and representation of the same in their report, and suggested a change in the form for the current Developer Disclosure Statement.

Commissioner Oxberry opened discussion about the appraisal and property value.

Mr. Michael Galasso, Co-General Partner of the 33rd Street Limited Partnership, also serving as the developer, addressed Mr. Oxberry's concerns and Mr. Shapiro's issues regarding his organization's financial viability. Mr. Galasso clarified that the credit report originally consulted was old and that all but one of the outstanding items on the original credit report had since been cleared, the last still under investigation, and that this was reflected in the new credit report. He further stated that a default on a previous project had resulted from an inability to finance an SRO in 1993/94, when no financing was available.

Commissioner Grinchuk asked for a comparison of costs between this project and the Mercado Apartments. Staff recalled that the cost of the Mercado was somewhat less, but that the project has more units and was built five years ago, when costs were considerably lower.

Chairman Arthur expressed his concerns about the amount of risk involved in the project. Mr. Nulton countered that the limited partners were putting up \$2,500,000; General Counsel noted that the loan would be a recourse loan during the construction period until the notice of completion was recorded; and Ms. Morris indicated that the value of the project with the tax credits was \$3,700,000.

MOTION MADE BY COMMISSIONER OXBERRY TO RECOMMEND HOUSING AUTHORITY APPROVAL OF THE LOAN COMMITTEE RECOMMENDATION TO PROVIDE FINANCING TO THE 33RD STREET LP FOR THE DEVELOPMENT OF A FORTY-UNIT NEW CONSTRUCTION PROJECT LOCATED AT 351-403 SOUTH 33RD STREET.

MOTION SECONDED BY COMMISSIONER TUMMINIA AND CARRIED ON A VOTE OF 4-2, WITH COMMISSIONERS STEINKE AND GRINCHUK VOTING "NAY", AND WITH COMMISSIONER DICK BEING ABSENT.

104 HCR98-075 - Award of Contract for Banking Services (Citywide)

This item was continued from the Housing Commission meeting of September 21, 1998, for the consideration of Commissioners not present at that meeting.

Pursuant to the provisions of California Government Code, Section 1091.5(a)(10) and/or 1091(b)(6). Commissioner Steinke chose to abstain from voting on this issue and left the room.

Staff report was presented by Controller Jane Adams, citing the close competition of the submitted proposals, and stating staff's recommendation to support the Selection

Committee's choice to award a five-year contract to Bank of America for banking services for its deposit, disbursement and cash management services.

Mr. Dee Williams spoke on behalf of Bank of America, emphasizing the involvement of Bank of America in the San Diego area.

Mr. Tim DeWan of Bank of Commerce spoke in opposition to staff's recommendation. He stated that the high weight of credit rating for the evaluation factors was a disadvantage to their bank. Because Bank of Commerce has no debt, they have not invested in any formal credit rating. He stated that they are the largest small business lender in the nation.

Chair Arthur asked staff for information relating to the pricing bids of the two banks represented at the meeting. Staff reported that there was a significant variance in bid prices. Bank of Commerce pricing results in an annual savings of \$30,000 or \$150,000 over five years. Due to the large difference in pricing, staff requested further information from Bank of Commerce to ensure they could provide similar service to the other Banks. Staff was satisfied with the results.

Commissioner Oxberry questioned Mr. Williams of Bank of America regarding his report. Mr. Williams said he could do research and provide further information as requested.

Commissioner Oxberry spoke in strong support of awarding the contract to the Bank of Commerce, underscoring the significant difference in pricing, his personal comfort with Mr. DeWan's explanation of the credit rating issue, and citing this as an opportunity for the Commission to contract and support local San Diego business.

Chair concurred with Mr. Oxberry.

MOTION MADE BY COMMISSIONER OXBERRY TO RECOMMEND AWARD OF A FIVE-YEAR CONTRACT, EFFECTIVE DECEMBER 1, 1998, THROUGH NOVEMBER 30, 2003, TO BANK OF AMERICA, FOR SERVICES FOR ITS DEPOSIT, DISBURSEMENT AND CASH MANAGEMENT SERVICES.

Mr. Christensen clarified that the motion was based in part on a reevaluation of the credit rating and qualifications of the Bank of Commerce.

MOTION SECONDED BY COMMISSIONER HILLS AND CARRIED ON UNANIMOUS VOTE OF 5-0, WITH COMMISSIONER STEINKE ABSTAINING, AND COMMISSIONER DICK BEING ABSENT.

CLOSED SESSION

(Commissioner Steinke was still absent.)

- 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. Park Haven Apartments No. 1, a California general partnership; Parkhaven Apartments No. 2, a California general partnership; Park Haven Apartments No. 3, a California general partnership; Park Hae Apartments No. 1 Ltd., a California limited partnership; John B. Walsh, an individual, Elden E. Vanover, an individual; Joe Rosa, an individual; Diedrick & Vanover, a general partnership; Trabajadores de la Raza, Inc., dba Casa Familiar, a California nonprofit public benefit corporation; and Does 1-50, inclusive
San Diego Superior Court Case No.: 712827

INSTRUCTIONS CONCERNING POTENTIAL SETTLEMENT GIVEN TO COUNSEL ON A VOTE OF 5-0, WITH COMMISSIONERS DICK AND STEINKE BEING ABSENT.

- (b) San Diego Housing Commission, a public agency v. John Baranski, an individual; and Does 1 through 50, inclusive
San Diego Superior Court Case No.: 712827
- (c) San Diego Housing Commission, a public agency v. Olivewood Garden Apartments, an unknown entity; and Does 1-50, inclusive
San Diego Municipal Court Case No. 589118
- (d) Mildred J. Tanner v. San Diego Housing Commission, a public corporation
San Diego Superior Court Case No. 723725

INFORMATION ONLY. NO ACTION TAKEN ON THESE ITEMS.

Commissioner Steinke returned.

- (e) Melvin Shapiro v. San Diego Housing Commission
San Diego Superior Court Case No. 714975

INSTRUCTION CONCERNING SETTLEMENT GIVEN ON A VOTE OF 6-0 WITH COMMISSIONER DICK BEING ABSENT.

- 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.

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

<u>Property:</u>	Skyline/Woodman (vacant property owned by SDHC)
<u>Negotiating Parties:</u>	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.
<u>Under Negotiation:</u>	Terms and Price

INSTRUCTIONS WERE GIVEN TO NEGOTIATOR ON A VOTE OF 6-0, WITH COMMISSIONER DICK BEING ABSENT.

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

ADJOURNMENT

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

Respectfully submitted,

Margaret H. Hill
Executive Secretary

Approved by,

Elizabeth C. Morris
Executive Director

**Signature Available with
Original Document**