



SAN DIEGO HOUSING COMMISSION
MINUTES

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**SAN DIEGO HOUSING COMMISSION
MINUTES OF THE REGULAR MEETING
APRIL 21, 1997
CITY ADMINISTRATION BUILDING
202 C STREET, 12TH FLOOR
SAN DIEGO, CALIFORNIA**

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

10 CALL TO ORDER

Chair Arthur called the meeting to order at 9:30.

20 PUBLIC COMMENT

There were no requests for Public Comment.

30 COMMISSIONER COMMENTS

There were no Commissioner Comments.

40 REPORT BY THE EXECUTIVE DIRECTOR

Ms. Morris noted that the 1997 NAHRO National Conference and Exhibition would be held in San Diego at the Convention Center - October 26-29, 1997. Ms. Morris distributed the NAHRO promotional brochure entitled "Retooling Our Industry - Strategies for Success."

50 APPROVAL OF THE MINUTES

Approval of the Minutes of the meeting of March 27, 1997.

MOTION BY TUMMINIA TO APPROVE MINUTES OF THE MEETING OF MARCH 27, 1997.

SECOND BY DICK.

MOTION CARRIED UNANIMOUSLY ON A 4-0 VOTE WITH MACIAS, AKILI AND OXBERRY BEING ABSENT.

ADOPTION AGENDA - CONSENT

MOTION BY DICK TO CONTINUE ITEM 101 (HCR97-042 WAITING LIST IMPLEMENTATION PLAN AND BUDGET REVISION) TO THE MAY 5, 1997 HOUSING COMMISSION MEETING AND TO APPROVE THE FOLLOWING ITEMS ON CONSENT.

MOTION SECONDED BY NOTTLEY.

100 HCR97-047 - Performance of Classification and Compensation Studies

Recommendation: Acknowledge the authority of the Executive Director to execute contracts under \$50,000 to include Classification and Compensation Studies not to exceed fiscal year budgeted amounts. Study results and recommended implementation will be brought to the Board for approval.

103 HCR97-043 - Status Report for Loans Either Due and Payable or Reverting to Monthly Payments (Citywide)

Recommendation: Accept the Executive Director's report identifying all loans that will become due and payable during Calendar 1997, which includes loans that were deferred and are reverting to monthly payments.

108 HCR97-063 - Administrative Cost Study

Recommendation: Accept the independent auditor's report on administrative costs reflecting the rate for combined direct and indirect administrative costs at approximately 7.7 percent.

MOTION CARRIED UNANIMOUSLY ON A VOTE OF 4-0, WITH MACIAS, AKILI AND OXBERRY BEING ABSENT.

ADOPTION AGENDA - ACTION AGENDA

Mr. Oxberry arrived and was present for the remainder of the meeting.

102 HCR97-050 - Contract for Educational and Diversionary Services (Council District 8)

Ms. Pat Zamora presented the staff report on this item.

Ms. Rachel Ortiz, Executive Director of Barrio Station addressed the Commission to express her gratitude to the Commission for being awarded the contract. Ms. Ortiz commented that the funds granted to Barrio Station under this contract will allow a number of gang problems in San Ysidro to be addressed.

Mr. Dick requested clarification on how program will be monitored to determine its success (e.g., benchmarks of achievement).

Ms. Zamora responded that the following are just a few of the activities which will take place to monitor the program's ongoing success:

1. Pre and post testing of participants.
2. Changes in participants' behavior will be documented.
3. Parent/Child 1:1 counseling.
4. Focus groups will be conducted within the community.

In addition, HUD requires a semiannual report be submitted which will outline the status of the program at that time.

Ms. Ortiz commented that Barrio Station is fiscally and programmatically sound to carry out the this agreement and to make the program a success.

MOTION BY NOTTLEY TO AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT AGREEMENT WITH BARRIO STATION FOR EDUCATIONAL AND DIVERSIONARY SERVICES FOR THE PERIOD APRIL 14, 1997 TO JANUARY 15, 1998.

MOTION SECONDED BY TUMMINIA.

MOTION CARRIED UNANIMOUSLY ON A VOTE OF 5-0, WITH MACIAS AND AKILI BEING ABSENT.

104 HCR97-056 - Converting Portion of Loan for "Villa Rica" to Grant (Council District 7)

Ms. Mary Manaster presented the staff report on this item.

Mr. Dick requested an explanation as to why the loan amount of \$146,685 is being converted to a grant.

Ms. Manaster responded that Mr. Reed Flory, Housing Finance Consultant for the project was present and would address this question.

Mr. Flory explained that the monies being converted to a grant are to pay for items not recognized by HUD (e.g, off-sites, balconies, patios, certain maintenance costs, environmental assessments, land subdivision costs and other such related costs). In addition, HUD requires that this amount of funding be raised from other sources and, to the extent any of this amount has not been expended prior to closing, that the remaining amount will be escrowed. Mr. Flory stated further that HUD will not permit any non-recognized amounts to be included in a residual receipts type note.

Ms. Manaster indicated that since neither the sponsor, The San Ysidro Urban Council, nor the owner, Urban Council Development, Incorporated, has the capacity to generate this type of funding, they must request that the \$146,685 amount be characterized as a grant.

MOTION BY DICK TO APPROVE AND RECOMMEND HOUSING AUTHORITY APPROVAL TO CONVERT TO A GRANT \$146,685 OF A PREVIOUSLY APPROVED \$800,000 LOAN TO URBAN COUNCIL DEVELOPMENT, INCORPORATED (UCDI) FOR DEVELOPMENT OF A 70-UNIT APARTMENT COMPLEX AFFORDABLE TO VERY LOW INCOME SENIORS.

MOTION SECONDED BY OXBERRY.

MOTION CARRIED UNANIMOUSLY ON A VOTE OF 5-0, WITH AKILI AND MACIAS BEING ABSENT.

105 HCR97-057 - Project Support Grant for San Diego Community Housing Corporation (Council District 3)

Ms. Paula Burrier-Lund presented the staff report on this item.

Mr. Joe Horite of San Diego Community Housing Corporation addressed the Commission and outlined what the grant will be utilized to accomplish (e.g., underwriting, closing requirements, selection of architect etc.).

Mr. Mel Shapiro questioned why a nonprofit, which he characterized as "wealthy," should be receiving a project support grant.

Mr. Dick asked if there was a "Need Screen" to determine whether the nonprofit is financially in need of monies being granted.

Ms. Burrier-Lund explained that staff focused more on making sure Project Support Grants went to entities that were actually producing housing rather

than on financial capability. In addition, staff looks at workload required to do project, whether it is viable, etc.

Ms. Nottley asked why only two units were deed restricted.

Ms. Burrier-Lund stated all of the units will be deed restricted; the reference to the two existing deed restricted units was included in the report to disclose to the Commission that two units were already restricted under the Density Bonus Program.

Ms. Morris indicated that the City of San Diego has an ordinance which allows the development of additional density on a particular site, if the bonus units are deed restricted.

MOTION BY NOTTLEY TO PROVIDE A HOUSING TRUST FUND CAPACITY BUILDING PROGRAM PROJECT SUPPORT GRANT TO SAN DIEGO COMMUNITY HOUSING CORPORATION (SDCHC) IN CONJUNCTION WITH THE ACQUISITION AND REHABILITATION OF 3845 WINONA AVENUE.

MOTION SECONDED BY TUMMINIA.

MOTION CARRIED UNANIMOUSLY ON A VOTE OF 5-0, WITH AKILI AND MACIAS BEING ABSENT.

Mr. Dick commented that there may be some nonprofits which have resources that others do not. Therefore, he indicated it might be advisable to have a financial needs screen as part of a the loan review or grant review on predevelopment or capacity loans or grants. Mr. Dick requested that staff report back to the Commission about the advisability of adding such a screen as a qualitative factor in the review of grant requests.

106 HCR97-039 - Funding Recommendations Under Housing Trust Fund Request for Proposals for First-Time Homebuyer Programs (Council Districts 3, 4, 7)

Ms. Paula Burrier-Lund presented the staff report on this item.

Mr. Don Gardner, a 25-year homebuilder in a San Diego building affordable housing spoke in opposition of this item due to the fact that his project, "Coral Gate" was not selected to be part of this program.

Mr. John Johnson, CEO of the San Diego Urban League spoke in favor of the staff report on this item. Mr. Johnson expressed his gratitude and indicated that their project is not a pilot project. Mr. Johnson indicated that five homes are currently underway. Mr. Johnson asked the Commission consider adding an additional \$100,000 to the request by the Urban League.

Mr. Caryl Foster of the San Diego Urban League reported that during the last year, the San Diego Urban League has acquired and rehabbed five homes

and all these homes were sold to first-time homebuyers. Mr. Foster also indicated that HUD allows a maximum of ten percent gain on any home that is required and rehabbed by a nonprofit. Mr. Foster commented that this amount is rarely achieved - generally it is closer to five percent. Any gains

have traditionally been turned around to provide additional funds for future acquisition and rehabilitation projects.

Ms. Nottley inquired as to whether there might be funds other than Housing Trust Fund dollars so that these funds could be preserved for projects that serve individuals at under 80% Median Area Income.

Ms. Burrier-Lund stated that the Housing Trust Fund is one of the few sources that allows the flexibility to go to 100% of Area Median Income. The HOME Fund, for example does not allow this.

There was much discussion about the value of this program and its impact on the community.

Mr. Dick asked why monies were allocated to a specific developer or builders or community agency as opposed to having funds reserved and available to all applicants.

Ms. Burrier-Lund indicated the funds are available on a first-come, first-serve basis. Ms. Burrier-Lund commented that these programs are targeted to specific community revitalization efforts and to allow nonprofits access to some of the Housing Trust Fund monies to operate programs within the communities in which they work.

Mr. Dick commented that, if possible, it should be made specific in the RFP to define some other community benefits which will be achieved other than just first-time homebuyer homeownership.

Mr. Oxberry commented that he would like see an efficient delivery process of funds. He suggested that, in the future, to possibly work through established lenders that don't require an administration expense. These lenders have an efficient delivery system that the Commission could perhaps tap into.

MOTION BY NOTTLEY TO 1) COMMIT ~~\$440,000~~ \$100,000 (PLUS \$10,000 FOR ADMINISTRATION) FOR USE BY HOMEBUYERS USING THE SAN DIEGO URBAN LEAGUE'S REBUILDING OUR OWN NEIGHBORHOODS (REBOUND) PROGRAM; AND 2) COMMIT \$130,000 (PLUS A GRANT OF \$13,000 FOR ADMINISTRATION) TO SAN DIEGO NEIGHBORHOOD HOUSING SERVICES' HOME OWNERSHIP OPPORTUNITIES PROGRAM (HOOP).

MOTION SECONDED BY TUMMINIA.

MOTION CARRIED UNANIMOUSLY ON A VOTE OF 5-0, WITH AKILI AND MACIAS BEING ABSENT.

107 HCR97-025 - Lease of the Del Mar Apartments - 2172 Front Street (Council District 3)

Ms. Paula Burrier-Lund presented the staff report on this item.

Mr. Mel Shapiro made the following comments regarding the Del Mar Apartments:

- 1. Today's loans are described as "secured." They are not secured since the appraised value is \$820,00 and CCDC first trust deed is \$695,628.**
- 2. The pro forma does not make allowance for the third floor expected vacancies. The vacancy allowance is not adequate. This reserve fund will run out in a few years, about the same time as A Community of Friends hands over the place to our local nonprofit.**
- 3. Page 6 of the staff report says "Total Development Cost" is \$315,321. This is misleading as the total cost is \$1.8 million counting today's funds. This is \$1 million more than the appraised value.**
- 4. Questioned whether the best interests of the mentally ill are really being served by housing them in this project.**

Ms. Monique Lawshee of A Community of Friends addressed the Commission and requested that the Commission accept the original proposal which had provisions in it for a functional elevator. Ms. Lawshee expressed concerns about the ability to rent the apartments without an elevator. She also commented on the possibility of tenants slipping or falling due to having to climb stairs.

Chair Arthur requested clarification as to why the loans were made recourse to an entity which has no assets (TACHS).

Ms. Burrier-Lund indicated that the Housing Commission owns the building and the monies are a loan to make improvements to the building and certain other costs. Therefore, the Housing Commission is lending this amount based on the leasehold interest of the two entities in the building. If there were to be a default on the loan, the Housing Commission would end up foreclosing on a building to which significant improvements had been made.

Chair Arthur and Mr. Oxberry indicated that are not in support of expending an additional \$175,000 to install an elevator. Chair Arthur suggested that

perhaps offering discounted rents to those individuals who rent units on the top floor.

Mr. Dick addressed the financial structure which is outlined in the staff report. Mr. Dick questioned taking a security interest in the tenant's lease. Mr. Dick commented that this arrangement appears contrived.

Mr. Dick also indicated that he is not in support of expending additional funds to install an elevator.

Mr. Dick directed staff to go back to HUD and attempt to persuade them to allow rental of the third to the same qualified population as those on the first and second floor. However, Mr. Dick indicated that he does not want to hold up the project, but rather if certain benchmarks are achieved over a determined period of time, allow the third floor to be rented to the same population as the first and second floors.

MOTION BY DICK TO APPROVE OPERATION OF THE DEL MAR APARTMENTS AS HOUSING FOR VERY LOW INCOME PERSONS, AND VERY LOW INCOME PERSONS WITH MENTAL ILLNESS, BY RECOMMENDING HOUSING AUTHORITY APPROVAL OF THE FOLLOWING STAFF RECOMMENDATIONS WITH MODIFICATIONS INDICATED:

- 1. AUTHORIZE THE EXECUTIVE DIRECTOR OF THE HOUSING COMMISSION TO EXECUTE A TEN-YEAR LEASE, WITH PROVISIONS FOR EXTENSIONS TO A MAXIMUM LEASE TERM OF FIFTY-FIVE YEARS, WITH A PARTNERSHIP OF THE ASSOCIATION FOR COMMUNITY HOUSING SOLUTIONS (TACHS) AND A COMMUNITY OF FRIENDS (ACOF) FOR OPERATION OF TWENTY-TWO UNITS OF RENTAL HOUSING FOR VERY LOW INCOME INDEPENDENT RESIDENTS WITH MENTAL ILLNESS AND ELEVEN UNITS OF RENTAL HOUSING FOR OTHER VERY LOW INCOME RESIDENTS;**
- 2. APPROVAL OF A SECURED LOAN OF \$195,449, IN A FORM ACCEPTABLE TO THE EXECUTIVE DIRECTOR AND GENERAL COUNSEL, TO TACHS/ACOF FOR PREDEVELOPMENT EXPENSES, TENANT IMPROVEMENTS, MARKETING COSTS, FURNISHINGS AND DEVELOPER FEE;**
- 3. APPROVAL OF A SECURED LOAN OF \$119,872 FOR CAPITALIZED OPERATING AND REPLACEMENT RESERVES; \$90,000 TO REMAIN WITH THE COMMISSION AND \$29,872 DRAWN UPON PROJECT IMPLEMENTATION; ANY UNUSED PORTION OF THE \$29,872 RESERVE WOULD BE RETURNED TO THE COMMISSION AT THE END OF THE FIRST YEAR; UNUSED RESERVES FROM THE \$90,000 ACCOUNT WOULD BE RETURNED TO THE COMMISSION AFTER THREE YEARS; AND,**

4. **AUTHORIZE THE EXECUTIVE DIRECTOR TO IMPLEMENT AN ESTIMATED \$1,400,000 UNSECURED GRANT OF A U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AWARD OF \$2,499,840 OF SHELTER PLUS CARE (S+C) FUNDS FOR THE PROJECT AND ENTER INTO A S+C CONTRACT WITH TACHS/ACOF.**

WITH THE FOLLOWING MODIFICATIONS:

1. **ITEMS 2 AND 3, WHICH ARE DESCRIBED AS SECURED LOANS, BE RECAST SO THAT ALL OF THE ITEMS WHICH ARE IDENTIFIED THEREIN BE INCORPORATED INTO THE LEASE IN THE FORM OF LANDLORD CONTRIBUTIONS TOWARD VARIOUS EXPENSES RELATED TO THE OPERATION OF THE BUILDING, WITH THE EXCEPTION OF THE PREDEVELOPMENT EXPENSES AND DEVELOPER FEE WHICH WOULD BE COVERED IN THE FORM OF A LOAN TO THE GENERAL PARTNERSHIP, WHICH LOAN WOULD BE UNSECURED. THE TERMS OF THIS LOAN ARE TO BE IDENTICAL TO THE TERMS PROPOSED THEREIN AND DESCRIBED AS "SECURED".**
2. **IN COORDINATION WITH THE TENANT, IMMEDIATELY, BUT NOT AS A PRECONDITION TO THE LEASE, SEEK APPROVAL FROM HUD FOR THE EXPENDITURE OF THE BALANCE OF THE SHELTER PLUS CARE FUNDS THROUGH UTILIZATION OF THE THIRD FLOOR OF THE BUILDING WITH THE COOPERATION OF THE TENANTS.**

MOTION SECONDED BY OXBERRY.

MOTION CARRIED UNANIMOUSLY ON A VOTE OF 5-0, WITH MACIAS AND AKILI BEING ABSENT.

109 HCR97-055 - Proposed Fiscal Year 1998 Budget

Executive Director Elizabeth Morris presented the staff report on this item. Ms. Morris encouraged the Commission to focus on those items of the Budget which are discretionary (i.e., noncategorical) in nature rather the programmatic. In addition, Ms. Morris noted that the questions which were raised at the April 14, 1997 Housing Commission Meeting are covered in the supplemental report, which she distributed.

Mr. Mel Shapiro made the following inquiries and/or comments:

1. **Inquired as to why the original 1998 Budget is compared to the current 1997 Budget instead of the original 1997 Budget.**
2. **Believes the term "affordable" should be defined in the Budget glossary.**

3. It is not clear how much balance sheet reserves amount to and how much is a prudent reserve.
4. It is not clear what income groups are being assisted by categorical funds and by noncategorical funds.
5. The FY97 Budget has specific numerical goals. Where are the numeric goals for the FY98 Budget.
6. Status of Quarterly Program Progress Status Reports.
7. Mr. Shapiro believes some budget activity does not end up serving those individuals who are currently on the waiting list.

Ms. Bethany Porter-Sanchez of the Nonprofit Federation for Housing and Community Development complimented staff on the preparation of the Budget to produce an activity based picture of the Commission's activities.

Ms. Porter-Sanchez noted that there are 30% more funds from FY97 to FY98 which are to be allocated to homeownership programs and requested clarification as to where this money is coming from and whether Rental Housing monies are to be reduced. Ms. Porter-Sanchez indicated that the members of the Nonprofit Federation are in support of these funds being targeted toward homeownership activities.

Ms. Burrier-Lund responded that monies are coming from the HOME Program, the majority from rental housing monies.

Ms. Nottley requested that the term "affordability" be defined in the final Budget document and that the most commonly used definition be provided.

Ms. Nottley asked for an explanation as to what projects are to address the low- and very very low-income population.

Ms. Morris responded that there will be programs to address those that earn less than 50% of Median Area Income, but that these programs will not provide as deep a subsidy as the Section 8 Program currently offers.

MOTION BY NOTTLEY TO APPROVE THE FOLLOWING RECOMMENDATIONS REGARDING THE FY98 BUDGET WITH THE STIPULATION THAT THE TERM "AFFORDABILITY" BE DEFINED IN THE FINAL BUDGET DOCUMENT AND THE MOST COMMONLY USED DEFINITION BE IMPLEMENTED.

RECOMMENDATION NO. 1: REVIEW AND RECOMMEND HOUSING AUTHORITY ADOPTION OF THE FISCAL YEAR 1998 (FY98) BUDGET AS PROPOSED.

RECOMMENDATION NO. 2: RECOMMEND THAT THE HOUSING AUTHORITY CONTINUE TO DELEGATE AUTHORITY TO THE HOUSING COMMISSION TO AMEND THE FY98 BUDGET, CONSISTENT WITH POLICIES, PROGRAMS AND ACTIVITIES APPROVED BY THE HOUSING AUTHORITY, REGARDING:

- (A) ADDITION OF ANY UNPROJECTED FUNDS NOT TO EXCEED \$100,000, WHICH ARE MADE AVAILABLE DURING THE COURSE OF THE YEAR;
- (B) TRANSFER OF FUNDS OF LESS THAN \$250,000 AMONG LINE ITEMS WITHIN THE FY98 BUDGET THAT DO NOT IMPACT THE OVERALL SIZE OF THE AGENCY'S ANNUAL BUDGET;
- (C) ADDITION OF FUNDING RESULTING FROM APPLICATIONS SUBMITTED WITH THE APPROVAL OF THE HOUSING AUTHORITY.

RECOMMENDATION NO. 3: CONTINUE TO DELEGATE LIMITED AUTHORITY THE EXECUTIVE DIRECTOR TO AMEND THE FY98 BUDGET, CONSISTENT WITH POLICIES, PROGRAMS AND ACTIVITIES APPROVED BY THE HOUSING AUTHORITY, BY:

- (A) ADDITION OF FUNDING RESULTING FROM APPLICATIONS SUBMITTED WITH THE APPROVAL OF THE HOUSING COMMISSION;
- (B) ADDITION OF UP TO \$50,000 AVAILABLE FROM OTHER SOURCES;
- (C) TRANSFER OF FUNDS OF LESS THAN \$50,000 AMONG LINE ITEMS WITHIN THE FY98 BUDGET THAT DO NOT IMPACT THE OVERALL SIZE OF THE AGENCY'S ANNUAL BUDGET.

MOTION SECONDED BY OXBERRY.

MOTION CARRIED UNANIMOUSLY ON A VOTE OF 5-0, WITH MACIAS AND AKILI BEING ABSENT.

ADJOURNMENT

Chair Arthur adjourned the meeting at 12:11 p.m.

Respectfully submitted,

Approved by,

Rob Albrecht
Administrative Assistant

Elizabeth C. Morris
Executive Director

**Signature Available with
Original Document**