



SAN DIEGO HOUSING COMMISSION
MINUTES

SAN DIEGO HOUSING COMMISSION
MINUTES OF THE REGULAR MEETING
SEPTEMBER 22, 1997
9:00 A.M.
CITY ADMINISTRATION BUILDING
202 C STREET, 12TH FLOOR
SAN DIEGO, CALIFORNIA

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

10 CALL TO ORDER

Chair Arthur called the meeting to order at 9:05 a.m.

20 PUBLIC COMMENT

Mr. John Cheney questioned the propriety of seemingly indiscriminate staff attendance at Closed Session.

Mr. Mel Shapiro called attention to staff reports due since August 15: Program Progress, Budget Status, FSS Report requested by Chair Arthur on June 23. He also expressed his dissatisfaction with the Commission's decision to bring the Annual Financial Statement as an information report instead of the past procedure of including it on the agenda.

30 COMMISSIONER COMMENTS

Commissioner Dick asked for explanation of the decision to issue the Annual Financial Statement as an informational report

Ms. Morris explained that the auditor's independent financial statement does not require approval by the Board, and that the City of San Diego and most of its independent agencies release theirs as information reports. The Board, however, is welcome to request any Information item be placed on the agenda. She also pointed out that the

financial report in question represents Fiscal Year 1996, and that the report for FY97 is still being prepared.

Commissioner Dick stated that even though it is not required, he would like to keep the practice of putting the Financial Statement on the agenda for public review and discussion.

40 REPORT BY THE EXECUTIVE DIRECTOR

No report made.

50 APPROVAL OF THE MINUTES

COMMISSIONER NOTTLEY MOTIONED TO APPROVE THE MINUTES FOR THE MEETING OF SEPTEMBER 8, 1997. THE MOTION WAS SECONDED BY COMMISSIONER TUMMINIA AND CARRIED BY UNANIMOUS VOTES OF 5-0, WITH AKILI AND MACIAS BEING ABSENT.

ADOPTION AGENDA - CONSENT

MOTION BY COMMISSIONER DICK TO APPROVE THE FOLLOWING ITEMS ON CONSENT:

100 HCR97-134 - Approval to Submit Comprehensive Grant Annual Statement/ Performance and Evaluation Report 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 of the Annual Statement/Performance and Evaluation Report (Attachment 1 to the staff report) to HUD and the execution of required documents.

103 HCR97-140 - Modifying Proportion of Funding between Loan and Grant for "Villa Rica" (District 7)

Recommendation: It is recommended that the Housing Commission approve a change in the proportion of loan and grant funds for Villa Rica from \$653,315 loan and \$146,685 grant to \$612,000 loan and \$188,000 grant.

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

Commissioner Macias arrived.

ADOPTION AGENDA - ACTION AGENDA

101 HCR97-141 - Accept Funding from the California Wellness Foundation for the "Computers in Our Future" Program (District 8)

No Staff Report was given.

Commissioner Oxberry sought clarification regarding the staff needed to administer the new program in house, and posed that contracting for services might be more cost-effective than hiring temporary staff.

Ms. Morris explained that the grant will cover the administrative costs, and that the administrator of the program will be a temporary SDHC staff position. This was a highly competitive grant application and it was the expectation of the foundation that if awarded, the program would be directly overseen by the Commission.

Commissioner Nottley offered her insight from her experience with this foundation that, facing the many inherent challenges of a new organization commanding a large amount of funds, the foundation has a need for grantees to assume a higher level of responsibility.

MOTION MADE BY COMMISSIONER TUMMINIA TO AUTHORIZE THE EXECUTIVE DIRECTOR TO ACCEPT THE AWARD OF \$525,000 FROM THE CALIFORNIA WELLNESS FOUNDATION'S "COMPUTERS IN OUR FUTURE" PROGRAM, AND TO AMEND THE BUDGET AND ADD A POSITION AS DETAILED IN THIS REPORT.

MOTION SECONDED BY COMMISSIONER MACIAS AND CARRIED ON A VOTE OF 6-0, WITH AKILI BEING ABSENT.

102 HCR97-129 - Application for Mortgage Credit Certificate Allocation (Citywide)

No staff report given.

Commissioner Oxberry sought explanation of the wording "taken by the State" in the report's paragraph regarding "Fiscal Impact."

"The \$250,000 deposit will be released upon issuance of the first MCC or taken by the State after three years if no MCCs are issued."

Ms. Morris clarified that this verbiage means that the deposit is taken by the State only in the event that no MCCs are issued in the first three years, which is a highly unlikely prospect as this program is an extremely popular and effective Housing Commission vehicle, that enjoys a high level of support by City Council.

MOTION MADE BY COMMISSIONER OXBERRY TO RECOMMEND THAT THE CITY COUNCIL (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 MORTGAGE CREDIT CERTIFICATE PROGRAMS AND (2) AUTHORIZE AN APPLICATION TO CDLAC FOR UP TO A \$75,000,000 ALLOCATION OF MORTGAGE CREDIT CERTIFICATES (MCCS) IN FY98.

MOTION SECONDED BY COMMISSIONER NOTTLEY AND CARRIED ON A UNANIMOUS VOTE OF 6-0, WITH AKILI ABSENT.

104 HCR97-136 - Acquisition Program Policy Discussion (Citywide)

Staff report was presented by Ms. Wendy DeWitt, Finance and Development Project Manager, with Paula Burrier-Lund, Deputy Executive Director of Housing Finance and Development, and Jack Farris, Financial Specialist, on hand for questions.

Ms. DeWitt outlined the Commission's multi-faceted approach to addressing the growing need for low income housing, and noted that while ownership and operation is a small percentage of the Commission's activities, it is a very visible one. She posed issues for discussion to be a) the question of public ownership of market-rate units where government is often perceived as being in direct competition with the private sector; and b) the propriety of the public sector realizing a positive cash flow from its activities.

Mr. Mel Shapiro reminded the Commission that when the issue of acquiring market rate apartments came up in 1995, the Apartment Owner's Association had been in opposition to the policy. Mr. Shapiro expressed his own belief that rental assistance vouchers better serve low income households than the acquisition program, and that Commission ownership presents unfair competition to private business, and deprives the community of property taxes.

Mr. John Cheney expressed his belief that San Diego is "swimming against the tide," in any effort it supports to increase government participation in private sector activities.

Commissioner Dick stated his concerns regarding the acquisition program and the Commission's ownership of mixed-income properties. Mr. Dick cited criticism that the Commission's participation in market rate housing may be unfair competition. As a government agency the Commission pays no property taxes and yet is supported by tax funds and has revenue that does not depend on the success of its own enterprise. He would prefer to see the Commission perform its activities and reach its goals in a way that levels the competition with the private sector, proposing that the agency serve as a conduit of financing for private property owners who would provide affordable housing. Commissioner Dick was not prepared to recommend continuation of the Commission's acquisition program as it is.

Commissioner Nottley rebutted that the Housing Commission has disadvantages as well as advantages in the market place, for example, the agency often can not negotiate purchase price but must pay full market value. Ms. Nottley also pointed out that there is very little competition in the development of large family or low income housing projects and believes this an important charge of the Housing Commission. As market rents go up and sources of funding for assistance programs go down, it is the duty of the Commission to explore and implement all possibilities in meeting the growing needs for affordable housing, and while the acquisition program is not in itself the entire answer, it is one approach to finding the answer.

Commissioner Oxberry refuted allegations that the Commission's participation in market rate activities creates unfair competition. Mr. Oxberry expressed his conviction that the Commission's activities and resources combined with the expertise and efficiency of private enterprise, can deliver housing to a broad based constituency within the City of San Diego. Mr. Oxberry believes it unnecessary for the Housing Commission to actually own a mixed-rate housing development and that these activities could be done by way of joint ventures with non profit and for-profit entities.

MOTION MADE BY COMMISSIONER TUMMINIA TO ACCEPT STAFF'S RECOMMENDATION.

Chair Arthur contended that the Commission is not in competition with the private sector, as the Commission alone has primary responsibility for developing low-income housing. Mr. Arthur spoke of his recent experience with a nonprofit organization which allowed him a very close-up view of the problems of low income citizens. This first-hand experience reinforced the Chair's convictions that the Housing Commission must continue to do everything it can to provide housing to its low-income constituency.

Commissioner Oxberry restated his belief that the Commission can best serve the public by using its facilities and resources as a conduit and catalyst.

Commissioner Macias spoke from her personal experience as a beneficiary of Housing Commission assistance. Ms. Macias supports the acquisition program as a means of continuing the Commission's multi-faceted approach to the challenge of providing affordable housing opportunities.

MOTION TO ACCEPT STAFF RECOMMENDATION SECONDED BY COMMISSIONER MACIAS.

Executive Director Morris responded to the Commissioners' comments. Ms. Morris stated that today San Diego does not have as well developed a non profit mechanism as we would hope to have, nor do we see the private sector coming forward to make use of the moneys that are available. Ms. Morris believes there are reasons for the Housing

Commission to be a player in the market rate arena today. The extent of these activities and the accounting for their individual costs and cash flow can be structured and budgeted separate from the Commission's other business operations.

Motion having been made and seconded, Chair Arthur asked for a show of hands.

MOTION THAT THE HOUSING COMMISSION REAFFIRM ITS SUPPORT FOR ACQUIRING EXISTING UNITS AS ONE OPTION WITHIN A MULTIFACETED APPROACH TO THE PROVISION OF AFFORDABLE HOUSING EMBRACED BY THE CITY OF SAN DIEGO, CARRIED ON A VOTE OF 4-2, WITH DICK AND OXBERRY IN OPPOSITION, AND AKILI BEING ABSENT.

Commissioner Dick stated that though he continues to believe that ownership of market rate housing belongs in the private sector, he did appreciate the attention drawn by the Executive Director to the lack of a vibrant nonprofit sector in the City of San Diego and the available funds that are not being fully employed. Mr. Dick would like to see the Commission refocus efforts to work with developers and nonprofit owners to reset policies and develop this aspect of acquisition activities.

Commissioner Oxberry clarified that he is not philosophically opposed to the Housing Commission owning and operating market rate housing, but believes the delivery of affordable housing to low and moderate income families can be done most efficiently by providing financial instruments to the nonprofits.

Ms. Morris reminded the Commissioners that the GAO Report on the Knox Glenn showed that the Commission's development costs were well within the range of private and non profit developers, and pointed out that the equity contribution the Commission must make as a lender is considerably greater than when acting as the buyer to achieve a similar outcome.

**105 HCR97-121 - PALM VISTA APARTMENTS (DISTRICT 8)
(CONTINUED FROM SEPTEMBER 8, 1997 MEETING)**

Staff report presented by Mr. Jack Farris, Financial Specialist, with Ms. Wendy DeWitt, Finance and Development Project Manager, and Paula Burrier-Lund, Deputy Executive Director of Housing Finance and Development, on hand.

The Report addresses the disposition of the Palm Vista Apartments, recently acquired through a foreclosure process, on July 17, 1997. The staff's recommendation is to retain ownership and increase the affordability through the use of HOME funds and tax-exempt bonds, to approve a financing team, and obtain a lender/underwriter. The alternatives would be to either sell the project or bring in a nonprofit.

Mr. Shapiro stated his belief a) that the proposal outlined in the report violates the Housing Commission's own policy regarding disposition of property acquired and the Consolidated Plan's definition of affordable housing; b) that the moneys invested in this project will not serve families on the waiting list. Mr. Shapiro further stated that the report is mistaken in its statement that nonprofits are exempt from property taxes, and should mention capacity building grants to nonprofits. Mr. Shapiro suggested the Palm Vista be returned to the private sector where it could increase property tax revenues and that the Housing Commission moneys be redirected to better use.

Commissioner Oxberry inquired into proposals that had been submitted to acquire Palm Vista. Staff answered that there had been several and that these proposals were considered in Closed Session and rejected for various reasons.

Commissioner Oxberry recommended that Palm Vista be put out for sale as affordable housing, and include in the RFP the equity funds that are available to the Commission. Ms. Morris suggested that it might be more advantageous to allow the purchaser to bring some of their own equity, and conserve the Commission's resources if possible.

After some discussion of the costs and financing possibilities, Commissioners agreed that they were not prepared to make a decision on this issue until they can study and have a better understanding of the numbers and options.

MOTION MADE BY COMMISSIONER DICK TO CONTINUE ITEM. MOTION SECONDED BY COMMISSIONER MACIAS AND CARRIED ON UNANIMOUS VOTE OF 6-0, WITH AKILI BEING ABSENT.

Commissioner Nottley commented on the Housing Trust Fund Annual Report and applauded Staff for keeping the Trust Fund's projects on task, but voiced her disappointment that the report was informational only. Ms. Nottley felt strongly that public discussion of the Housing Trust Fund moneys and how they can be used would be of great benefit to the Commission.

CLOSED SESSION

General Counsel Chuck Christensen announced that pursuant to Government Code, Section 54956.8(a) and 54954.5(b) that the Housing Commission met in Closed Session to discuss the following items:

- I. Conference with Legal Counsel - existing litigation, pursuant to California Government Code Section 54956.9(a) and 54954(c):**
 - a. Diana Gines Lopez (Beltran) & Children v. City Hall, City of Chula Vista, CA et al (San Diego Housing Commission)
San Diego Superior Court Case No. 712799**

- b. San Diego Housing Commission, a public agency vs. Creekside Villa Apartments, a California limited partnership; Barbara Barsky, an individual; Morley Barsky, an individual; Richard Kuebler, an individual; John B. Walsh, an individual; 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. 712828

NO ACTION WAS TAKEN ON THESE ITEMS.

- c. San Diego Housing Commission, a public agency v. Delta Associates, a California General Partnership; Harvard S. Hurst, an individual; Daniel J. Chiarappa, an individual; Jan T. Chandler, an individual; and Does 1 through 20, inclusive
San Diego Superior Court Case No. 711155

BY A VOTE OF 5-0, WITH COMMISSIONERS DICK AND AKILI ABSENT, THE COMMISSION INSTRUCTED COUNSEL CONCERNING A PROPOSED SETTLEMENT.

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

- a. More than (1) matter.

ONE MATTER WAS INFORMATIONAL ONLY.

ITEM CONCERNING SAN DIEGO HOUSING COMMISSION VS. SAYER, THE COMMISSION GAVE AUTHORITY TO GENERAL COUNSEL AND STAFF BY A VOTE OF 5-0, TO SETTLE MATTER.

ADJOURNMENT

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

Respectfully submitted,

Approved by,

Margaret Hill
Executive Secretary

Elizabeth C. Morris
Executive Director

**Signature Available with
Original Document**