SAN DIEGO HOUSING COMMISSION

MINUTES

SAN DIEGO HOUSING COMMISSION
MINUTES OF THE REGULAR MEETING
NOVEMBER 3, 1997
9:00 A.M.
CITY ADMINISTRATION BUILDING
202 C STREET, 12TH FLOOR
SAN DIEGO, CALIFORNIA

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

10 CALL TO ORDER

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

CLOSED SESSION

Commissioners present at this time: Arthur, Oxberry, Macias, Nottley, and Tumminia.

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

(a) Melvin Shapiro v. City of San Diego and San Diego Housing Commission
San Diego Superior Court Case No.: 714981

COMMISSION, BY A 5-0 VOTE, GAVE INSTRUCTIONS TO COUNSEL TO DEFEND LITIGATION.

(b) Melvin Shapiro v. San Diego Housing Commission
San Diego Superior Court Case No.: 714975

COMMISSION, BY A 5-0 VOTE, GAVE INSTRUCTIONS TO COUNSEL TO DEFEND LITIGATION.

(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

INFORMATIONAL ONLY. NO ACTION TAKEN.

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

a. More than (1) matter.

INSTRUCTIONS GIVEN TO COUNSEL, WITH A VOTE OF 5-0.

Commissioner Dick arrived.

20 PUBLIC COMMENT

None.

30 COMMISSIONER COMMENTS

Chair Arthur thanked and congratulated staff for the success of the NAHRO National Conference. Commissioner Macias thanked her fellow commissioners for their participation in the conference and encouraged them to attend more such events in the future.

Commissioner Nottley reported on the opening of the Marisol Apartments, a twenty-two unit apartment complex developed by Community Housing of North County for people with HIV and AIDS, in collaboration with the Housing Commission. Ms. Nottley then announced that she would have to leave the meeting shortly.

Commissioner Akili arrived.

40 REPORT BY THE EXECUTIVE DIRECTOR

Ms. Morris announced that the Commission's Move to Work Program was selected by HUD to be run as a demonstration program. The program will operate fifty Section 8 and twenty-eight housing units under local rules, rather than federal rules, giving the agency flexibility in federal regulations.

Ms. Morris then announced the promotion of Ms. Nancy Williams to Program Manager of Research and Policy.

Lastly, Ms. Morris thanked the Commissioners for their participation in the NAHRO Conference and shared a video tape shown at the conference about the Housing Commission's mission.

Commissioner Nottley left the meeting.

APPROVAL OF THE MINUTES

COMMISSIONER TUMMINIA MOTIONED TO APPROVE THE MINUTES FOR THE MEETING OF SEPTEMBER 22, 1997. THE MOTION WAS SECONDED BY COMMISSIONER MACIAS AND CARRIED BY UNANIMOUS VOTE OF 5-0, WITH COMMISSIONER NOTTLEY ABSENT AND WITH COMMISSIONER DICK ABSTAINING BECAUSE HE WAS ABSENT FROM THE MEETING OF THE 22.

Mr. Shapiro disputed the statement made in the Minutes of September 22 that he had "challenged the Commission's practice of maintaining a reserve," and that he had misunderstood budgetary figures. Mr. Shapiro was offended by what he considered to be editorial comments. Mr. Shapiro clarified that regarding the reserve, he believes that "there's a great big investment slush fund that shouldn't be there."

50 ADOPTION AGENDA - CONSENT

COMMISSIONER OXBERRY MOVED TO CARRY THE FOLLOWING ITEMS ON CONSENT:

102 HCR97-145 - Reprogram Public Housing Units (Districts 1,4, 5 and 8)

Recommendation: It is recommended that the Housing Commission authorize the Executive Director to request approval from HUD to: 1) Continue conversion of two dwelling units to non-dwelling use at the Santa Margarita and Vista del Valle locations, 2) Request Performance Funding System Waivers for units approved for non-dwelling use to promote economic self-sufficiency services and anti-drug programs, 3) Deprogram 2005 Alaquinas Dr #8, 4453 Market St #B and 5389 Santa Margarita St #31 as Public Housing dwelling units for use by on-site resident managers who are not eligible for the Public Housing Program and

authorize the Executive Director to request approval from HUD to deprogram units for use by on-site resident managers in the future.

103 HCR97-156 - Accept Funding Awarded from HUD for Economic Development with the City Heights Community Development Corporation (Districts 3 and 4)

Recommendation No. 1: It is recommended that the Housing Commission recommend Housing Authority ratification of the Housing Commission's recent submission of a grant application and award of funds from HUD for the Community Partnerships for Resident Uplift and Economic Development Program in partnership with the City Heights Community Development Corporation.

Recommendation No. 2: Authorize the Executive Director to execute the documents necessary to implement the program, including amending the agency budget to include the funds received.

Recommendation No. 3: It is recommended that the Housing Commission approve an amendment to the FY98 Budget adding $300,000 for the Community Partnerships for Resident Uplift and Economic Development Program to the activities Operation of Self-Sufficiency and Reserves.

107 HCR97-159 - OFFER TO PURCHASE: 4233 ALBATROSS DRIVE (District 2)

Recommendation: It is recommended that the Housing Commission recommend that the Housing Authority:

a) Accept the offer by Gerald M., Maureen M. and Rosemary Boyle of $280,000 to purchase the property located at 4233 Albatross Drive.

b) Provide a shared equity second trust deed not to exceed $50,000 at three percent interest deferred for 30 years.

c) Authorize the Executive Director to execute the documents necessary to complete the transaction.

108 HCR97-150 - Sale of 642-648 W. Hawthorn Street (District 2)

Recommendation: It is recommended the Housing Commission recommend Housing Authority authorization:

1. To accept the offer of $318,600 submitted by Anthony H. Gaussoin, with the condition that the property is sold in its "as-is" condition.

2. To accept the offer of $300,000 submitted by Craig Lanser as a back-up in the event that the primary offer does not result in purchase of the subject property.

3. For the Executive Director to execute all documents necessary to complete the sale.

109 HCR97- Revisions to Procurement Policies

Recommendation: That the Housing Commission recommend Housing Authority approval of the proposed amended procurement policy revising procedures and authorization levels as depicted in Attachment 1, including raising the Housing Commission approval authority level to $500,000.

110 HCR97-158 - Award of Contract to PeopleSoft, Inc. for Financial Systems Software (Citywide)

Recommendation: That the Housing Commission recommend that the Housing Authority authorize the Executive Director to negotiate a contract not to exceed $379,125 for financial software with PeopleSoft, Inc.

111 HCR97-157 - Budget Revision for the Transfer of Low Income Housing Capital Outlay ("LIHCO") Funds to Pay Additional Development Permit Fees (Council Districts 6 and 7)

Recommendation No. 1: It is recommended that the Housing Commission recommend that the City Council approve the use of $197,000 of LIHCO funds toward the payment of additional permit fee expenses in the amount of $221,000 for the development of Public Housing Project CA16-PO63-044, located at 7520 Fulton St., 7891 Golfcrest Dr., and 7281 Saranac St., (Attachment 1).

Recommendation No. 2: It is recommended that the Housing Commission recommend that the Housing Authority approve a budget amendment to include $197,000 of LIHCO and $24,000 of additional local funds (consisting of bond fees), for a total amount of $221,000 to pay additional permit fee expenses for Public Housing Project CA16-PO63-044.

113 HCR97-121 (Supplemental) - Palm Vista Apartments (District 8)

Recommendation: Issue a Request for Proposals in order to receive and evaluate the most cost effective and efficient provision of affordable housing at the Palm Vista Apartments.

MOTION SECONDED BY COMMISSIONER MACIAS AND CARRIED ON UNANIMOUS VOTE OF 6-0, COMMISSIONER NOTTLEY BEING ABSENT.

ADOPTION AGENDA - ACTION

100 HCR97-155 -Public Hearing Regarding Proposed Issuance of Bonds for Villas at Avventura II Apartments, The Bluffs Apartments and Mountain View Estates Apartments (Districts 1, 6 and 4)

No staff report was given. Financial Specialist Jan Laufik was on hand for questions.

Commissioner Oxberry inquired about the timings of the TEFRA Hearings. Mr. Laufik explained the factors for the different projects that led to delays since the inducement resolution, i.e. waiting for building permits, credit enhancements, FHA insurance.

MOTION MADE BY COMMISSIONER OXBERRY TO RECOMMEND THAT THE CITY COUNCIL HOLD A PUBLIC HEARING WITH RESPECT TO THE PROPOSED ISSUANCE OF BONDS BY THE HOUSING AUTHORITY ("TEFRA" HEARING) TO FINANCE THE NEW CONSTRUCTION OF THE 232-UNIT VILLAS AT AVVENTURA II APARTMENTS LOCATED AT THE SOUTHEAST CORNER OF LA JOLLA VILLAGE DRIVE AND LEBON DRIVE (BY RODNEY F. STONE AND PATRICK KRUER); THE ACQUISITION AND REHABILITATION OF THE 224-UNIT THE BLUFFS APARTMENTS LOCATED AT 6466 FRIARS ROAD (BY ESSEX BLUFFS, L.P., A PUBLICLY TRADED REAL ESTATE INVESTMENT TRUST); AND THE ACQUISITION AND REHABILITATION OF THE 145-UNIT MOUNTAIN VIEW ESTATES APARTMENTS LOCATED AT 4066 MESSINA DRIVE (BY SAN DIEGO COMMUNITY HOUSING CORPORATION) IN ORDER TO OBTAIN PUBLIC INPUT REGARDING THE SAME.

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

101 HCR97-152 - Loan Committee Appointees (Citywide)

No staff report given. Steve Mikelman and Vicki Bonner were on hand for questions.

Commissioner Oxberry inquired about the composition and purpose of the Loan Committee. Mr. Mikelman responded that the Loan Committee has seven members, meets twice a month, and has limited approval authority over real estate loans that exceed staff's level of authority. Ms. Morris added that there are several issues that might bring a loan to the Loan Committee - amount of loan, debt ratio of borrower, loan to value of loan - any characteristics that do not meet standard underwriting criteria set by policy. Regarding the makeup of the Loan Committee, Mr. Mikelman stated that policy dictates that membership be drawn from a cross-section of the community, including the building industry, financial and legal professions, real estate, and a community representative.

MOTION MADE BY COMMISSIONER OXBERRY TO APPROVE THE NOMINATIONS OF BARRY SCHULTZ AND TESS COLBY AS MEMBERS OF THE LOAN COMMITTEE. MOTION SECONDED BY COMMISSIONER AKILI AND CARRIED ON UNANIMOUS VOTE OF 6-0, WITH COMMISSIONER NOTTLEY BEING ABSENT.

104 HCR97-154 - FY98 Inclement Weather Shelter Program (Citywide)

No report was given. Mr. Steve Mikelman was on hand for questions.

Commissioner Tumminia expressed her concern regarding the proposed program's limited ability to meet the needs of the city's urban homeless. Mr. Mikelman explained that the proposed structures address only a specific need to provide some emergency shelter for seasonal weather, working in concert with other existing programs in the city, and agreed that it is unfortunate that the needs of the city's entire homeless population will not be met.

Commissioner Dick questioned the $100,000 increase in the commitment from the original budget item. Mr. Mikelman responded that the Commission works in partnership with the City of San Diego and that the increase in commitment was in response to expectations held by the City of the Commission's level of responsibility.

Commissioner Macias asked when the doors of the shelters would actually be open, if the temperature would dictate whether or not services were available.
Mr. Mikelman stated that this year the seasonal shelters would be open from December 1 to March, regardless of temperature, and would operate during the daytime hours also.

MOTION MADE BY COMMISSIONER AKILI TO AUTHORIZE, SUBJECT TO HOUSING AUTHORITY APPROVAL, THE EXECUTIVE DIRECTOR TO EXECUTE THE MEMORANDUM OF UNDERSTANDING (ATTACHMENT 1 TO THE STAFF REPORT) WITH THE CITY OF SAN DIEGO TO PARTIALLY UNDERWRITE, IN THE AMOUNT OF $245,000, THE FY98 HOMELESS INCLEMENT WEATHER

SHELTER PROGRAM. AUTHORIZE AMENDING THE FY98 BUDGET TO PROVIDE THE ADDITIONAL $100,000 REQUESTED BY THE CITY TO OFF-SET INCREASE EXPENSES ANTICIPATED FOR THE FY98 PROGRAM.

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

105 HCR97-143 - Modification to the Prototype Program for For-Profit Rental Property Rehabilitation (Targeted - Districts No. 2,3,4,5,6,7 and 8)

Staff report given by Housing Program Manager Steve Snyder, with Senior Program Analyst Lyle Knudsen on hand for questions. The purpose of this report was for staff to examine the recent performance of this program. Since March, the Housing Commission has reviewed numerous rehabilitation loans through this program and funded none due to the high cost of financing rehabilitation in balance with the rent restrictions. Staff's recommendation would be an increase in loan amortization term and a decrease in interest rate.

A member of the public, Mr. Terry Moore, an income properties broker, recommended an alternative solution be formulated, incorporating some facets of the County of San Diego's program, which he believes to be a more effective system. Specifically, Mr. Moore stated that the county program had more incentives for the property owner i.e. no interest, no payments for ten years when the loan becomes due.

Discussion followed between staff, Board, and Mr. Moore, regarding terms of loan payments, and rent restrictions, affordability, demands of the marketplace, and possible plans for program modification.

Commissioner Akili suggested a comparison be drawn between the County and City programs, and that the purpose of the program - to provide funding for rehabilitation in order to increase affordable housing opportunities - not be lost in the analysis or decision making process.

Commissioner Dick said that he would characterize the program in discussion not as an affordability program but as a loan program that targets the for-profit community for the purpose of community rehabilitation. Mr. Dick then proceeded to investigate what might make this program as defined, successful. Mr. Dick attributed the success of the county's plan to the fact that it makes no financial demand on the property owner, but loans money with no interest and no debt amortization. Mr. Dick suggested that a more prudent use of taxpayers' money would be to loan it out with interest and amortization, requiring participation of the property owner in the rehabilitation cost process. Mr. Dick agreed with a suggestion made in discussion by Mr. Oxberry that the interest rate be held at 5%, but that the amortization period be extended to thirty years.

MOTION MADE BY COMMISSIONER DICK TO RECOMMEND HOUSING AUTHORITY APPROVAL OF MODIFICATIONS IN THE FOR-PROFIT RENTAL PROPERTY REHABILITATION PROTOTYPE PROGRAM AS OUTLINED IN THE STAFF REPORT WITH THE FOLLOWING SPECIFICATIONS: A 30-YEAR AMORTIZATION WITH A TEN YEAR BALLOON, A FIVE PERCENT INTEREST RATE, MAINTAINING ALL OTHER ELEMENTS OF THE CURRENT PROGRAM - KEEPING THE FIVE-YEAR PREPAY WITH RESTRICTION END AT FIVE YEARS; AND THAT THE COMMISSION DIRECT THE EXECUTIVE DIRECTOR AND COUNSEL TO ASSURE THAT THE LOAN DOCUMENTATION CONTAINS REQUIREMENTS FOR ONGOING MAINTENANCE OF THE PROPERTY, MAINTENANCE OF ADEQUATE RESERVES, AND THE REQUIREMENT THAT THE PROPERTY OWNER PROVIDE AN OPERATING STATEMENT ON AN ANNUAL BASIS.

MOTION WAS SECONDED BY COMMISSIONER OXBERRY.

Commissioner Akili asked for clarification on how Mr. Dick's motion improved upon the policy proposed by staff. Chair Arthur responded that the longer amortization would cut the property owner's carrying cost in half, making the program more attractive to potential borrowers, while providing a more prudent monitoring system of the Commission's investment. Mr. Akili asked that staff return in the near future with a progress report, to see how these changes impact the program. Mr. Moore expressed his appreciation of the modifications proposed by the Board.

MOTION AMENDED BY COMMISSIONER DICK TO INCLUDE THE PREPARATION OF A REPORT IN SIX TO NINE MONTHS MEASURING THE SUCCESS OF THE MODIFIED PROGRAM.

Mr. Dick added that his motion is made with assurance form the Executive Director and Counsel that loan documentation already addressese the concerns he had raised.

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

106 HCR97-153 Loan to Greater Golden Hill Community Development Corporation for Acquisition and Rehabilitation of Two Units at 1801-1803 Gregory Street (District 3)

Staff report was given by Senior Program Analyst Dan Cady with Housing Finance Manager Pat Getzel on hand for questions. The loan in consideration would finance the Greater Golden Hill Community Development Corporation's acquisition and rehabilitation of the Gregory Street duplex, an effort to revitalize the area surrounding the Golden Villas, now under construction. An issue for consideration

is the involvement of Mr. John Walsh in the property, currently also involved in two lawsuits by the Housing Commission, and the prospect of Mr. Walsh benefiting from a purchase financed by the Commission.

Mr. Mel Shapiro questioned the loan approval procedure, as he noted the Commission requested funds from HUD before obtaining approval from the Board. Regarding the involvement of Mr. Walsh, Mr. Shapiro took issue with the possibility of the Housing Commission lending funds that would go to someone who was at the same time in debt to the Commission.

On behalf of the Greater Golden Hill Community Development Corporation, Executive Director Arlene Hamlin thanked the Commission and Loan Committee for consideration of the Golden Hill request for funding to purchase and rehabilitate 1801-1803 Gregory Street, and stated the CDC's intention to add affordable rental housing for low income families.

Chair Arthur sought advice from Counsel regarding the issue of doing business with Mr. Walsh. Mr. Christensen stated that disclosures had been made regarding the defendants in existing litigation with the Commission which may benefit from this action, but that it would be perfectly legal for the Commission to take this action in the interest of the public benefit to be derived, or it would be justified on the contrary to make a determination that the public benefit would be outweighed by any potential benefit that existing defendants in current litigation would enjoy.

Commissioner Tumminia asked if the Gregory Street property would be incorporated in the Golden Villas, or kept independently. Ms. Morris clarified that the Gregory Street property would be owned by the Greater Golden Hills CDC, who is also the general partner in the partnership that owns the Golden Villas, but the Gregory Street property would be kept separate and apart from the Golden Villas.

MOTION MADE BY COMMISSIONER AKILI TO ACCEPT A LOAN COMMITTEE RECOMMENDATION TO APPROVE A $38,000 FIRST TRUST DEED LOAN AND A $93,199 SECOND TRUST DEED RESIDUAL RECEIPTS LOAN, FOR A TOTAL LOAN OF $131,199, TO GREATER GOLDEN HILL COMMUNITY DEVELOPMENT CORPORATION (GGHCDC) TO ACQUIRE AND REHABILITATE A 2-UNIT PROPERTY LOCATED AT 1801-1803 GREGORY STREET AND AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE LOAN DOCUMENTS, AS PREPARED BY GENERAL COUNSEL, TO REFLECT THE TERMS AND CONDITIONS OUTLINED IN THIS REPORT.

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

112 HCR97-139 - Response to Council Inquiry Regarding Redistribution of Housing Commission Resources to Increase Investment in First-Time Homebuyer Activities (Citywide)

Staff report given by Senior Program Analyst Cissy Fisher, with Pat Getzel, Senior Program Analyst George Edward, and Loan Manager Steve Mikelman on hand for questions.

Ms. Fisher stated that when City Council approved the FY98 Trust Fund Program plan and implementation strategy in July of 1997, staff was asked to return to the Land Use & Housing Committee with a discussion of three items: 1) the distribution of Housing Commission resources to rental housing and homebuyer activities; 2) the feasibility of increasing FY98 investment in homeownership activities; 3) the impact of changing the Housing Trust Fund Ordinance to increase funds available for first-time homebuyer activities. The recommendations outlined in this report were prepared in response to this mandate.

Commissioner Akili opened discussion, expressing his concern that any action taken does not jeopardize the Trust Fund's capacity to create more affordable rental housing opportunities. Ms. Fisher clarified that the fourth recommendation does not change the amount of Trust Fund moneys already allocated to homebuyer activities, but addresses the question of what specific homebuyer activities these funds should be invested in this year. Chair Arthur added that rents are getting so high, that it has become more advantageous to promote homeownership opportunities to our rental assistance recipients.

Mr. Arthur interrupted the discussion as he realized that he had neglected to call on public speakers.

Mr. Mel Shapiro disputed the rationale behind the consideration of taking HOME funds which are available to address the needs of very low income earners to assist people who are earning a higher income.

Discussion followed to clarify the workings of the shared equity policy, and possible ways to enhance owner participation in the program.

Commissioner Tumminia asked if there was any other way to obtain these funds without detracting moneys from rental housing activities. Ms. Fisher reminded the Commission that last year $3.8 million of loans were approved for rental housing through nonprofit sponsors. This year there are $12 million in the budget for the same function, which is far more funds than current rental housing business being brought to the Commission warrants. Staff's recommendation is to reallocate these surplus funds to activities where they can be spent. Ms. Pat Getzel corroborated this view, that HOME money must be used within a specified time period, or must be returned to HUD, and the worst alternative would be to let the money sit or be lost

when it could used effectively in the community. Ms. Morris added that the average income of the homebuyers being assisted is about 65% of median income, and that the program has reached a lower income target group than had been anticipated.

Commissioner Akili asked for assurance that people with very low income are being served by the Commission. Ms. Morris responded that the rental assistance program, as well as other programs both current and in the works, target that group, and that this action merely puts moneys to work where they are currently needed.

MOTION MADE BY COMMISSIONER AKILI TO: 1) AMEND THE FY98 BUDGET TO REALLOCATE $1,000,000 FROM RENTAL HOUSING DEVELOPMENT AND OWNER-OCCUPIED REHABILITATION ACTIVITIES TO HOMEOWNERSHIP FINANCING/INVESTING IN AFFORDABLE HOUSING AND ADD $18,000 FOR CONTRACT SERVICES IN HOMEOWNERSHIP FINANCING/INVESTING IN AFFORDABLE HOUSING, AND AMEND BUDGET AND OBJECTIVES FOR THESE ACTIVITIES; 2) AMEND THE FY97 CONSOLIDATED PLAN TO REFLECT THIS CHANGE; 3) LEAVE THE DISTRIBUTION REQUIREMENTS OF THE HOUSING TRUST FUND ORDINANCE UNCHANGED AT THIS TIME; 4) COMMIT $400,000 IN FY98 HOUSING TRUST FUND HOMEOWNERSHIP PROGRAM FUNDS TO THE HOUSING COMMISSION DOWNPAYMENT ASSISTANCE PROGRAM.

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

ADJOURNMENT

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

Respectfully submitted,

Approved by,

Signature Available with Original Document

Margaret Hill
Executive Secretary

Elizabeth C. Morris
Executive Director

ECM:mh