

REPORT

DATE ISSUED: April 28, 2016

REPORT NO: HCR16-048

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of May 6, 2016

SUBJECT: Mountain View Properties General Partner Removal Request

COUNCIL DISTRICT: 4

REQUESTED ACTION

The Investor Limited Partner (tax credit investor) of Mountain View Properties, Ltd., a California limited partnership (Limited Partnership), has requested that the San Diego Housing Commission (Housing Commission) provide consent for the removal and replacement of the General Partner resulting from allegations of improper distribution of project revenues, which the General Partner disputes.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board): (1) hear allegations and supporting evidence provided by the Investor Limited Partner; (2) hear supporting evidence provided by the General Partner, disputing such allegations; and (3) hear staff responses to questions by the Board. After such hearing takes place, determine whether consent rights should be granted to the Investor Limited Partner, authorizing removal and replacement of the General Partner.

SUMMARY

The Development

Town & Country Village Apartments is an existing 145-unit multifamily housing rental development located at 4066 Messina Drive in the Mountain View Community Plan Area (Attachment 1 – Site Map), with 97 affordable housing units and 48 market-rate units. The development is a two-story apartment complex composed of 79 two-bedroom and 66 three-bedroom units. Current amenities include laundry facilities, tot lot playground, and community room.

Table 1 – Development Details

Address	4066 Messina Drive, 92113
Council District	4
Community Plan Area	Mountain View
Construction Type	Type V
Parking Type	Surface Parking
Housing Type	Multifamily
Units	145
Affordable Unit Mix	Mixed Income; 70% Affordable & 30% Market Rate 79 two-bedroom units and 66 three-bedroom units

Development History

Town & Country Village Apartments was acquired in 1996 and rehabilitated with low-income housing tax credits and tax-exempt Multifamily Housing Revenue Bonds in 1998. The Housing Commission financial participation included subordinate loan proceeds in the amount of \$2,065,897 and issuance of Multifamily Housing Revenue Bonds in the amount of \$4,377,500. As of December 31, 2015, \$3,272,471 in bonds and \$2,065,897 (plus \$2,297,901 in accrued interest) remain outstanding.

Partnership Structure

Town & Country Village is owned by Mountain View Properties, Ltd., a California limited partnership (Limited Partnership) which consists of an Investor Limited Partner (Centerline Corporate Partners), Special Limited Partner (Related Corporate VIII SLP, L.P.) and General Partner (San Diego Community Housing Corporation). The purpose of the Limited Partnership is to invest in real property, specifically affordable housing, which resulted in the acquisition, rehabilitation and ongoing operations of Town & Country Village. The Investor Limited Partner provided capital funds to develop Town & Country Village in return for low-income housing tax credits and 99.98 percent ownership interest in Town & Country Village. The Special Limited Partner and General Partner each own 0.01 percent of the development. As General Partner, San Diego Community Housing Corporation's primary responsibilities include, but are not limited to, development related activities, operational oversight and asset management of Town & Country Village.

Table 2 - Development Team Summary

ROLE	FIRM/CONTRACT
Owner	Mountain View Properties, Ltd., a California Limited Partnership
Investor Limited Partner	Centerline Corporate Partners
Special Limited Partner	Related Corporate VIII SLP, LP
General Partner	San Diego Community Housing Corporation
Developer	San Diego Community Housing Corporation

Investor Limited Partner Allegations

The Investor Limited Partner and Special Limited Partner claim and allege that the General Partner has caused multiple material breaches to the Housing Commission Loan and the Limited Partnership Agreement, particularly alleged misappropriation of project revenues.. Due to these alleged breaches, the Limited Partners claim that a misuse of project funds adversely affects their interests in the Partnership and are therefore requesting Housing Commission consent to remove the General Partner and immediately replace them with another nonprofit entity.

General Partner Disputes Allegations Made By Investor Limited Partner & Special Limited Partner

The General Partner has provided written representation to the Investor Limited Partner and Special Limited Partner that no breaches have been made to the Housing Commission Loan documents or the Limited Partnership Agreement. The General Partner disputes each and every allegation made by the Investor Limited Partner and the Special Limited Partner.

Affordable Housing Impact

There is no impact to the current affordability structure of Town & Country Village. Units will remain affordable under the Housing Commission's current Declaration of Covenants Conditions and Restrictions, as well as the Bond Regulatory Agreement.

Table 3 – Current Rent Restrictions

Unit Type	AMI	Number of Units
2-Bedroom Flat	50% AMI	20
2-Bedroom Flat	60% AMI	38
2-Bedroom Townhome	60% AMI	4
3-Bedroom Flat	50% AMI	4
3-Bedroom Flat	60% AMI	22
3-Bedroom Townhome	60% AMI	9
2-Bedroom	Market	17
3-Bedroom	Market	31
	Total Units	145

FISCAL CONSIDERATIONS

Depending upon the action of the Board and whether or not the Board decides to accelerate the note, the Housing Commission may receive repayment of all principal and interest on the loan, plus a substantial contingent interest payment in addition to the repayment of principal and simple interest.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include San Diego Community Housing Corporation, Centerline Corporate Partners, Related Corporate Partners VIII SDL, LP, current residents and the Mountain View community and residents.

ENVIRONMENTAL REVIEW

This activity is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

Respectfully submitted,

Ann Kern

Ann Kern
Vice President
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Senior Vice President
Real Estate Division

Attachment: 1) Site Map

Hard copies are available for review during business hours at the security information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

Attachment 1

