

MINUTES

**SAN DIEGO HOUSING COMMISSION
MINUTES OF THE SPECIAL MEETING
JULY 10, 2009, 9:00 AM
SMART CORNER
SAN DIEGO, CALIFORNIA**

ATTENDANCE

Present were Chair Salas and Commissioners Adams-Brooks, Khadija Basir, Sam Guillen, Gary Gramling, Allen Sims and James Waring. Also present were Chuck Christensen, General Counsel and President and CEO Richard Gentry.

10 CALL TO ORDER

Chair Salas called the meeting to order at 9:09 a.m.

20 PUBLIC COMMENT

None

30 COMMISSIONER COMMENT

Commissioner Adams-Brooks commended the Housing Commission staff for a job well done with the Housing Commission Informational semi-annual reports.

40 REPORT BY PRESIDENT & CHIEF EXECUTIVE OFFICER

Mr. Gentry mentioned the City of San Diego recently received an additional \$1.8 million dollars for CDBG which will be used for specific programs. He also mentioned that negotiations and amendments have been made to the US Bank \$20 million dollar Line of Credit that was approved by the Housing Commission Board at the June 29, 2009 Special Housing Commission meeting. He added that the Housing Authority was notified and that there were no objections from the Housing Authority.

50 APPROVAL OF THE MINUTES

MOTION BY GUILLEN TO APPROVE THE MINUTES OF THE APRIL 17, 2009 REGULAR MEETING AND THE MAY 6, 2009 SPECIAL MEETING. SECONDED BY WARING AND CARRIED ON A UNANIMOUS VOTE OF 7-0.

CONSENT AGENDA

MOTION BY WARING TO APPROVE THE FOLLOWING ITEMS ON CONSENT:

100 HCR09-064 California State Association of Counties (CSAC) Excess Insurance Authority and California Public Entity Insurance Authority

Recommendation: That the Housing Commission ratify a sole source contract in an amount not to exceed ONE HUNDRED FORTY THOUSAND DOLLARS AND NO CENTS (\$140,000) with Alliant Insurance Services for the purpose of procuring through CSAC, All Risk Property Insurance including Flood and Earthquake on Real & Personal Property, Rental Income, Transit, EDP, Media & Extra Expense (Sabotage and Terrorism insurance) on all Housing Commission properties, including Smart Corner (at an additional cost of \$25,000) with effective dates of March 31, 2009 to March 31, 2010.

101 HCR09-063 Housing Authority Insurance Group Procurement for Insurance

Recommendation: That the Housing Commission ratify a sole source contract in the amount of \$163,327 (One Hundred Sixty Three Thousand, Three Hundred Twenty Seven Dollars) with the Housing Authority Insurance Group (HAIG) for the purpose of procuring Commercial Liability, Employment Practices, Public Official's Errors and Omissions, Terrorism and Mold or Other Fungus, insurance effective from July 1, 2009 through June 30, 2010.

102 HCR09-052 San Diego Housing Commission's FY10 Section 8 Administrative Plan

Recommendation: Approve the FY10 Section 8 Administrative plan (Attachment 1) that details the proposed changes to the Section 8 program, including the Moving to Work (MTW) initiatives previously approved by the Housing Commission Board on October 13, 2008.

107 HCR09-066 Authorization to Amend the FY2010 Budget

Recommendation: That the Housing Commission approves revising the San Diego Housing Commission FY2010 Budget to add necessary proceeds from the Interim Revolving Line of Credit for the acquisition of property and/or production of units under the Real Estate Acquisition Policy.

SECONDED BY GUILLEN AND CARRIED ON A UNANIMOUS VOTE OF 7-0.

ACTION AGENDA

General Counsel gave an overview on Items 103-105 regarding the financing of the land, the appraisal process and lease options.

103 HCR09-051 Riverwalk Apartments Finance Plan (Council District 8)

Project Manager Joe Correia gave a staff report.

Commissioners asked numerous questions of staff regarding the purchase of land options, appraisal options, acquisition policy, environmental findings, fair market value, developer fees and tax credit requirements and timelines.

The following speakers spoke in favor of the project:

Laurie Moie, Russ Locke, Lindsay Quackenbush, Anna Scott, Daryl McFarland, Margaret Jackson, Noe Suarez, Nonna Gutierrez, Yvette Quintero, Luis Gutierrez, Otto Roppel and Joes Lopez.

The following speakers were opposed to the project:

Amanda Caniya, Rodel Reyes, Sam Mendoza and Maria Mendoza.

MOTION BY SIMS TO APPROVE THE FOLLOWING RECOMMENDATIONS:

1) APPROVE PURCHASE OF THE LAND GENERALLY LOCATED AT 1194 HOLLISTER STREET (“PROPERTY”) FOR ITS CURRENT FAIR MARKET APPRAISED VALUE OF UP TO \$2,200,000; 2) APPROVE LEASE OF THE PROPERTY TO RIVERWALK APARTMENTS L.P. (THE “L.P.”) A TAX CREDIT PARTNERSHIP, FOR 65 YEARS WITH AT AN ANNUAL RENT OF 4.5% OF GROSS INCOME, UP TO 100% OF THE PROJECT’S RESIDUAL RECEIPTS; 3) APPROVE A LOAN TO THE L.P., IN THE AMOUNT OF \$2,275,145, PURSUANT TO THE POWERS DELEGATED TO THE HOUSING COMMISSION BY REAL ESTATE ACQUISITION POLICY 300.103, AND/OR EXTEND THE DEADLINE FOR MAKING THE RESIDUAL RECEIPTS LOAN TO THE L.P., WHICH WAS PREVIOUSLY APPROVED BY THE HOUSING AUTHORITY ON MARCH 20, 2007, HOWEVER THE AMOUNT OF THE LOAN SHALL BE REDUCED TO \$2,275,145 (3% SIMPLE INTEREST, 50% RESIDUAL RECEIPTS, 55-YEAR AFFORDABILITY RESTRICTIONS), WHICH SHALL BE SECURED BY A LEASEHOLD DEED OF TRUST; 4) APPROVE ENTRY INTO AN OPTION AGREEMENT WHEREBY THE HOUSING COMMISSION WILL HAVE THE OPTION TO PURCHASE THE IMPROVEMENTS (“PROJECT”) AT THE END OF THE FIFTEEN-YEAR TAX CREDIT COMPLIANCE PERIOD, FOR AN AMOUNT EQUAL TO THE GREATER OF FAIR MARKET VALUE (RESTRICTED VALUE OF THE LEASEHOLD) OR THE SUM OF EXIT TAXES, FORGIVENESS OF ALL PRINCIPAL AND INTEREST ON THE HOUSING COMMISSION LOAN, PLUS ASSUMPTION OF THE FIRST POSITION LOAN; 5) FIND THAT THE TOTAL AMOUNT TO BE PAID BY THE HOUSING COMMISSION FOR THE PROPERTY AND THE IMPROVEMENTS (PROVIDED THE HOUSING COMMISSION EXERCISES THE OPTION TO PURCHASE THE IMPROVEMENTS) IS

LESS THAN THE FAIR MARKET VALUE FOR THE SAME, AS DETERMINED BY WAYNE S. FROBOESE, MAI, AND THEREFORE THE ACQUISITION COMPLIES WITH THE HOUSING COMMISSION'S REAL ESTATE ACQUISITION POLICY 300.103; AND 6) AUTHORIZE THE PRESIDENT AND CHIEF EXECUTIVE OFFICER, OR HIS DESIGNEE, TO: A) EXECUTE A RESOLUTION IN THE FORM ATTACHED HERETO AS ATTACHMENT 1; B) EXECUTE ANY AND ALL DOCUMENTS DEEMED NECESSARY TO EFFECTUATE THE TRANSACTION AND IMPLEMENT THE PROJECT; AND C) ADJUST FINANCING TERMS/CONDITIONS AS NECESSARY TO ACCOMMODATE MARKET CHANGES THAT MAY OCCUR AFTER APPROVAL OF THIS REPORT BUT BEFORE CLOSE OF ESCROW, PROVIDED THAT THE \$2,200,000 LAND PURCHASE PRICE AND \$2,275,145 MAXIMUM LOAN AMOUNT MAY NOT INCREASE. THIS FUNDING COMMITMENT IS FOR THE 2009 TAX CREDIT COMPETITION ROUND AND MAY BE EXTENDED TO SUBSEQUENT TAX CREDITS ROUNDS WITH THE WRITTEN APPROVAL OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER. THE L.P., MUST OBTAIN NECESSARY TCAC 9% LOW-INCOME HOUSING TAX CREDITS. THE PROPOSED LAND PURCHASE, LEASE AND LOAN WOULD BE COMPLETED CONCURRENTLY WITH THE TAX CREDIT CLOSING (ESTIMATED FEBRUARY 6, 2010). DOCUMENTATION OF THE TERMS AND CONDITIONS OF THE LEASE AND LOAN WOULD BE APPROVED BY THE HOUSING COMMISSION'S GENERAL COUNSEL. SECONDED BY WARING AND CARRIED ON A UNANIMOUS VOTE OF 7-0.

104 HCR09-034 Vista Grande Apartments Finance Plan (Council District 4)

Senior Vice President Larry Clemens gave a staff report.

Commissioners asked questions regarding acquisition price, relocation costs, energy efficient windows, safety and security measures, and gap financing.

MOTION BY ADAMS-BROOKS TO APPROVE THE FOLLOWING RECOMMENDATIONS: 1) APPROVE PURCHASE OF THE LAND GENERALLY LOCATED AT 5391 AND 5411-25 SANTA MARGARITA STREET ("PROPERTY") FOR ITS CURRENT FAIR MARKET APPRAISED VALUE OF UP TO \$845,000; 2) APPROVE LEASE OF THE PROPERTY TO A TAX CREDIT LIMITED PARTNERSHIP (THE "L.P.") TO BE FORMED BY WAKELAND HOUSING & DEVELOPMENT CORP., FOR 65 YEARS WITH AT AN ANNUAL RENT OF 4.5% OF GROSS INCOME, UP TO 100% OF THE PROJECT'S RESIDUAL RECEIPTS; 3) APPROVE A LOAN TO THE L.P., IN THE AMOUNT OF \$2,967,000 (3% SIMPLE INTEREST, 50% RESIDUAL RECEIPTS, 55-YEAR AFFORDABILITY RESTRICTIONS); 4) APPROVE ENTRY INTO AN OPTION AGREEMENT WHEREBY THE HOUSING COMMISSION WILL HAVE THE OPTION TO PURCHASE THE IMPROVEMENTS ("PROJECT") AT THE END OF THE FIFTEEN-YEAR TAX CREDIT COMPLIANCE PERIOD, FOR AN AMOUNT EQUAL TO THE GREATER OF FAIR MARKET VALUE (RESTRICTED VALUE OF THE LEASEHOLD) OR THE SUM OF EXIT TAXES, FORGIVENESS OF ALL PRINCIPAL AND INTEREST ON THE HOUSING COMMISSION LOAN, PLUS ASSUMPTION OF THE FIRST

POSITION LOAN; 5) FIND THAT THE TOTAL AMOUNT TO BE PAID BY THE HOUSING COMMISSION FOR THE PROPERTY AND THE IMPROVEMENTS (PROVIDED THE HOUSING COMMISSION EXERCISES THE OPTION TO PURCHASE THE IMPROVEMENTS) IS LESS THAN THE FAIR MARKET VALUE FOR THE SAME, AS DETERMINED BY WAYNE S. FROBOESE, MAI, AND THEREFORE THE ACQUISITION COMPLIES WITH THE HOUSING COMMISSION'S REAL ESTATE ACQUISITION POLICY 300.103; AND 6) AUTHORIZE THE PRESIDENT AND CHIEF EXECUTIVE OFFICER, OR HIS DESIGNEE, TO: A) EXECUTE A RESOLUTION IN THE FORM ATTACHED HERETO AS ATTACHMENT 7; B) EXECUTE ANY AND ALL DOCUMENTS DEEMED NECESSARY TO EFFECTUATE THE TRANSACTION AND IMPLEMENT THE PROJECT; AND C) ADJUST FINANCING TERMS/CONDITIONS AS NECESSARY TO ACCOMMODATE MARKET CHANGES THAT MAY OCCUR AFTER APPROVAL OF THIS REPORT BUT BEFORE CLOSE OF ESCROW, PROVIDED THE \$845,000 LAND PURCHASE PRICE AND \$2,967,000 MAXIMUM LOAN AMOUNT MAY NOT INCREASE. THIS FUNDING COMMITMENT IS FOR THE 2009 TAX CREDIT COMPETITION ROUND AND MAY BE EXTENDED TO SUBSEQUENT TAX CREDITS ROUNDS WITH THE WRITTEN APPROVAL OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER. THE L.P., MUST OBTAIN NECESSARY TCAC 9% LOW-INCOME HOUSING TAX CREDITS. THE PROPOSED LAND PURCHASE, LEASE AND LOAN WOULD BE COMPLETED CONCURRENTLY WITH THE TAX CREDIT CLOSING (ESTIMATED FEBRUARY, 2010). DOCUMENTATION OF THE TERMS AND CONDITIONS OF THE LEASE AND LOAN WOULD BE APPROVED BY THE HOUSING COMMISSION'S GENERAL COUNSEL. SECONDED BY WARING AND CARRIED ON A UNANIMOUS VOTE OF 6-0 WITH BASIR NOT PRESENT.

105 HCR09-048 Vista Grande Apartments Finance Plan (Council District 4)

Senior Vice President Larry Clemens gave a staff report.

Commissioners asked numerous questions regarding the purchase of land options, appraisal options, acquisition policy, environmental findings, fair market values and tax credit requirements and timelines.

MOTION BY WARING TO APPROVE THE FOLLOWING RECOMMENDATIONS: 1) APPROVE PURCHASE OF THE LAND GENERALLY LOCATED AT 4914 – 4998 LOGAN AVENUE (“PROPERTY”) FOR ITS CURRENT FAIR MARKET APPRAISED VALUE OF UP TO \$2,440,000; 2) APPROVE LEASE OF THE PROPERTY TO LINC-ARBOR APARTMENTS HOUSING INVESTORS, L.P. (THE “L.P.”) A TAX CREDIT PARTNERSHIP, FOR 65 YEARS WITH AN ANNUAL RENT OF 4.5% OF GROSS INCOME, UP TO 100% OF THE PROJECT’S RESIDUAL RECEIPTS; 3) APPROVE A LOAN TO THE L.P., IN THE AMOUNT OF \$3,960,000, PURSUANT TO THE POWERS DELEGATED TO THE HOUSING COMMISSION BY REAL ESTATE ACQUISITION POLICY 300.103, AND/OR EXTEND THE DEADLINE FOR MAKING THE RESIDUAL RECEIPTS LOAN TO THE L.P., WHICH WAS PREVIOUSLY APPROVED BY THE HOUSING AUTHORITY ON SEPTEMBER 23, 2008, HOWEVER THE AMOUNT OF THE

LOAN SHALL BE REDUCED TO \$3,960,000 (3% SIMPLE INTEREST, 50% RESIDUAL RECEIPTS, 55-YEAR AFFORDABILITY RESTRICTIONS), WHICH SHALL BE SECURED BY A LEASEHOLD DEED OF TRUST; **4)** APPROVE ENTRY INTO AN OPTION AGREEMENT WHEREBY THE HOUSING COMMISSION WILL HAVE THE OPTION TO PURCHASE THE IMPROVEMENTS ("PROJECT") AT THE END OF THE FIFTEEN-YEAR TAX CREDIT COMPLIANCE PERIOD, FOR AN AMOUNT EQUAL TO THE GREATER OF FAIR MARKET VALUE (RESTRICTED VALUE OF THE LEASEHOLD) OR THE SUM OF EXIT TAXES, FORGIVENESS OF ALL PRINCIPAL AND INTEREST ON THE HOUSING COMMISSION LOAN, PLUS ASSUMPTION OF THE FIRST POSITION LOAN; **5)** FIND THAT THE TOTAL AMOUNT TO BE PAID BY THE HOUSING COMMISSION FOR THE PROPERTY AND THE IMPROVEMENTS (PROVIDED THE HOUSING COMMISSION EXERCISES THE OPTION TO PURCHASE THE IMPROVEMENTS) IS LESS THAN THE FAIR MARKET VALUE FOR THE SAME, AS DETERMINED BY, WAYNE S. FROBOESE MAI, AND THEREFORE THE ACQUISITION COMPLIES WITH THE HOUSING COMMISSION'S REAL ESTATE ACQUISITION POLICY 300.103; AND **6)** AUTHORIZE THE PRESIDENT AND CHIEF EXECUTIVE OFFICER, OR HIS DESIGNEE, TO; **A)** EXECUTE A RESOLUTION IN THE FORM ATTACHED HERETO AS ATTACHMENT 1.; **B)** EXECUTE ANY AND ALL DOCUMENTS DEEMED NECESSARY TO EFFECTUATE THE TRANSACTION AND IMPLEMENT THE PROJECT; **C)** ADJUST FINANCING TERMS/CONDITIONS AS NECESSARY TO ACCOMMODATE MARKET CHANGES THAT MAY OCCUR AFTER APPROVAL OF THIS REPORT BUT BEFORE CLOSE OF ESCROW, PROVIDED THE \$2,440,000 LAND PURCHASE PRICE AND \$3,960,000 MAXIMUM LOAN AMOUNT MAY NOT INCREASE. THIS FUNDING COMMITMENT IS FOR THE 2009 TAX CREDIT COMPETITION ROUND AND MAY BE EXTENDED TO SUBSEQUENT TAX CREDIT ROUNDS WITH THE WRITTEN APPROVAL OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER. THE L.P., MUST OBTAIN NECESSARY TCAC 9% LOW-INCOME HOUSING TAX CREDITS. THE PROPOSED LAND PURCHASE, LEASE AND LOAN WOULD BE COMPLETED CONCURRENTLY WITH THE TAX CREDIT CLOSING (ESTIMATED FEBRUARY 6, 2010). DOCUMENTATION OF THE TERMS AND CONDITIONS OF THE LEASE AND LOAN WOULD BE APPROVED BY THE HOUSING COMMISSION'S GENERAL COUNSEL. SECONDED BY SIMS AND CARRIED ON A UNANIMOUS VOTE OF 6-0 WITH BASIR NOT PRESENT.

106 HCR09-057 Hacienda Townhome (Council District 2)

MOTION BY GUILLEN TO APPROVE THE FOLLOWING RECOMMENDATIONS AND AUTHORIZE THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OR DESIGNEE TO EXECUTE NECESSARY DOCUMENTS UNDER THE ADVISEMENT OF THE HOUSING COMMISSION'S GENERAL COUNSEL: **1)** SALE OR TRANSFER OF LIMITED PARTNERSHIP INTEREST IN HACIENDA TOWNHOMES BY FNMA TO SDCHC; **2)** AMEND AND RESTATE THE HOUSING COMMISSION LOAN AGREEMENT TO REFLECT THE CHANGE OF LIMITED PARTNER UNDER THE CONDITIONS THAT; **A)** THE BORROWER, HACIENDA TOWNHOMES, LTD., SHALL WORK TO IDENTIFY AVENUES OF PROJECT REVENUE INCREASES AND EXPENSE REDUCTIONS

INCLUDING BUT NOT LIMITED TO RENT INCREASES; B) FORMULATE A PLAN TO REHABILITATE AND RECONFIGURE THE COMMON AREAS OF THE BUILDING TO ALLEVIATE SECURITY AND APPEARANCE PROBLEMS; AND C) WORK WITH THE CITY, POLICE DEPARTMENT, AND COMMUNITY GROUPS TO IDENTIFY MEASURES THAT MAY LESSEN THE IMPACT OF CRIME, TRAFFIC, NOISE AND OTHER NEGATIVE ENVIRONMENTAL CONDITIONS ON HACIENDA TOWNHOMES; AND 3) AMEND AND RESTATE THE HOUSING COMMISSION LOAN AGREEMENT TO CLARIFY THE ACCUMULATION AND DISTRIBUTION OF RESIDUAL RECEIPTS AND PROJECT RESERVES, WITH THE AMOUNTS AT THE DISCRETION OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OR DESIGNEE. SECONDED BY ADAMS-BROOKS AND CARRIED ON A UNANIMOUS VOTE OF 6-0 WITH BASIR NOT PRESENT.

CLOSED SESSION

The San Diego Housing Commission convened in closed session.

- a. Conference with Legal Counsel-Anticipated Litigation pursuant to subdivision (c) of 54954.5 Government Code and subdivision (c) of Section 54956.9(b)(1) and (3)(A):

Number of cases: One (1) or more

Counsel's Description of General Nature of Closed Session:

The Commission will discuss anticipated initiation of litigation against the Commission as a result of potential claim(s) involving potential environmental issues in relation to property formerly owned by the Commission. General Counsel will seek direction on methods of proceeding to defend against and/or avoid potential liability associated with such anticipated litigation.

NO ACTION TAKEN, THIS ITEM WAS NOT DISCUSSED IN CLOSED SESSION.

- b. Conference with Real Property Negotiators - Releasing Deed of Trust by the Commission, in favor of B&C Diving and Christopher Chase, concerning real property located at 2627, 2635, and 2650 Boston Avenue, pursuant to subdivision (b) of 54954.5 Government Code and Section 54956.8:

Property: 2627, 2635, 2650 Boston Avenue, San Diego, CA

Agency Negotiator: Rick Gentry, Carrol Vaughan, Larry Clemens and Ann Kern, San Diego Housing Commission

Negotiating Parties: B&C Diving, Christopher Chase, an individual (Owner)

Under Negotiation: Real Property Negotiator will seek direction from the Commission concerning the price and terms of payment of a potential release of

Mr. Chase and B&C Diving from certain obligations, which are presently secured by a Deed of Trust on the property.

NO ACTION TAKEN, THIS ITEM WAS NOT DISCUSSED IN CLOSED SESSION.

- c. Conference with Real Property Negotiators – Acquisition of Vista Verde Apartment Project located at 345 South 33rd Street, San Diego, California pursuant to subdivision (b) of 54954.5 Government Code and Section 54956.8:

Property: 345 South 33rd Street, San Diego, CA

Agency Negotiator: Rick Gentry, Carrol Vaughan, Larry Clemens and Wendy DeWitt, San Diego Housing Commission
Negotiating Parties: 33rd Street Family Housing Partnership (Owner)
Under Negotiation: Real Property Negotiator will seek direction from the Commission concerning the price and terms of payment for a potential purchase of the real property listed above.

NO ACTION TAKEN, THIS ITEM WAS NOT DISCUSSED IN CLOSED SESSION.

- d. Conference with Real Property Negotiators-Negotiation with Real Property Negotiator pursuant to subdivision (b) of 54954.5 Government Code and Section 54956.8:

Property: Chollas Creek, 49th Street and Charles Lewis Way, San Diego, California, Parcel Nos. 547-330-64 and 547-330-65

Agency Negotiator: Rick Gentry, Carrol Vaughan and Larry Clemens San Diego Housing Commission
Negotiating Parties: Chollas Creek 31, LLC a California limited liability company and the San Diego Housing Commission

BY A VOTE OF 4-0 THE BOARD GAVE INSTRUCTION TO COUNSEL TO CONTINUE NEGOTIATIONS WITH THE SELLER.

- e. Conference with Real Property Negotiator-Negotiation with Real Property Negotiator pursuant to subdivision (b) of 54954.5 Government Code and Section 54956.8:

Property: 453 13th Street, San Diego, CA 92101; APN: 535-155- 01, 02,03,08,09, &10

Agency Negotiator: Rick Gentry, Carrol Vaughan, Wendy DeWitt, Debbie Ruane, Marco Vakili and Joe Correia
Negotiating Parties: Owner: Entrada LLC, a Washington limited liability Company; Oliver McMillan: Jim Reynolds and John Shaw (Under Contract with Owner)

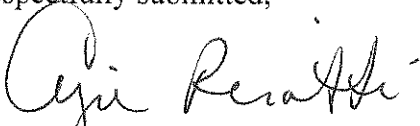
Under Negotiation: Price and Terms of Payment. Real Property Negotiator will seek direction from the Board.

BY A VOTE OF 3-0 THE BOARD GAVE INSTRUCTION TO COUNSEL TO NEGOTIATE
A POTENTIAL PURCHASE AND SALE AGREEMENT.

ADJOURNMENT

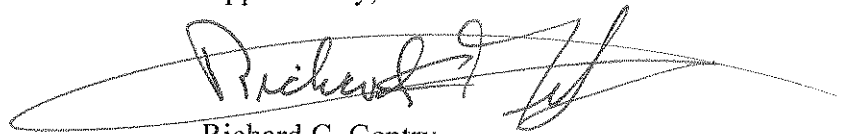
Chair Salas adjourned the regular meeting at 1:03 p.m.

Respectfully submitted,



Angie Risotti
Executive Assistant to the President and CEO

Approved by,



Richard C. Gentry
President and CEO