

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO
MEETING MINUTES
TUESDAY, OCTOBER 13, 2020
CITY COUNCIL CHAMBERS – 12TH FLOOR**

The Meeting of the Housing Authority of the City of San Diego was called to order at 11:51 a.m.

ATTENDANCE

Present:

Council President Georgette Gómez, District 9
Council President Pro Tem Barbara Bry, District 1
Councilmember Jennifer Campbell, District 2
Councilmember Chris Ward, District 3
Councilmember Monica Montgomery, District 4
Councilmember Mark Kersey, District 5
Councilmember Chris Cate, District 6
Councilmember Scott Sherman, District 7
Councilmember Vivian Moreno, District 8

APPROVAL OF HOUSING AUTHORITY MINUTES:

The minutes of the Regular Housing Authority meeting of October 6, 2020, were approved on a motion by Council President Pro Tem Bry, seconded by Council President Gómez, and passed by a vote of 9-0.

NON-AGENDA PUBLIC COMMENT:

Martha Welch commented on homelessness.

DISCUSSION AGENDA:

ITEM 1: HAR20-029 Residence Inn Hotel Circle & Residence Inn Kearny Mesa— Property Acquisition

Lisa Jones, Senior Vice President, Homeless Housing Innovations, and Michael Pavco, Senior Vice President, Acquisitions & Development, Real Estate Division, San Diego Housing Commission, presented the request for approval.

Joy Sunyata, Stefanie Benvenuto, Ellen Rose, Jason Kaughn, John Brady, Luis Romico, Charles Mayo, Darshan Tell, Amber Dunn, and Mark Hilay spoke in favor.

Benjamin True, Sam Catalano, Cathy Herrick, Christine Wilson, David Bach, F. Vasquez Gwendolyn Smith, Jean Johnson, Joe Saari, Laura Dunn, Mitch Shashani, Cherrie Chamberlain, Maria Brown, Alice Walker, Dave Gerring, Bob Kuczewski, Matthew Laslakis, Kathryn Rhodes, Matt Schlagal and Diana Catalano spoke in opposition.

Motion by Councilmember Ward to approve the staff-recommended actions. Seconded by Councilmember Sherman and passed by a vote of 9-0.

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Ratify the execution of a Purchase and Sale Agreement (PSA) for the property located at 1865 Hotel Circle South, San Diego CA, 92108, (referred to as “Residence Inn Hotel Circle”), dated August 20, 2020, with the seller Chatham RIMV LLC;
- 2) Ratify the execution of the broker’s commission to Kidder Matthews in the amount of \$502,500 for Residence Inn Hotel Circle;
- 3) Authorize the San Diego Housing Commission’s (Housing Commission) President & Chief Executive Officer (President & CEO), or designee, upon satisfactory completion and evaluation of Residence Inn Hotel Circle, during the due diligence period to take such actions and perform such acts as are necessary to acquire Residence Inn Hotel Circle, a 5.06-acre property with improvements, for the price of \$67,000,000. Chatham RIMV LLC shall provide clear fee simple title upon acquisition of the property;
- 4) For Residence Inn Hotel Circle, ratify the funding of the refundable escrow deposit of \$250,000 in accordance with the terms outlined in the PSA, which will be applicable to the purchase price and which deposit will become non-refundable upon the expiration of the due diligence period on November 17, 2020;
- 5) Authorize the Housing Commission’s President & CEO, or designee, to execute and record an affordability covenant against the Residence Inn Hotel Circle for 55 years, with 190 units remaining affordable at or below 80 percent of the San Diego Area Median Income (AMI) plus two unrestricted managers’ units, for a total of 192 units;
- 6) Authorize the purchase of the Residence Inn Hotel Circle, associated closing costs as well as remediation and upgrades to the property utilizing \$27,700,000 in State of California Department of Housing and Community Development (HCD) Homekey Program (Homekey) Funds; \$32,840,399 in a permanent loan from Chase Bank; \$928,174 in federal Moving to Work (MTW) funds; \$10,000,000 in federal Community Development Block Grant funds; and \$3,500,000 in a Deferred Developer Fee. HCD informed the Housing Commission that it has reserved \$27,700,000 in Homekey grant funds for the Housing Commission for the acquisition of Residence Inn Hotel Circle. However, in the unlikely event that such an HCD grant is not finally committed by HCD, this gap will be filled with \$27,700,000 in eligible funds from the City of San Diego. In addition, the Housing Commission’s President & CEO, or designee, is hereby granted the authority to substitute alternative funds, provided that the amount of the substituted funding does not exceed the original funding amount(s), when in the best interests of the Housing Commission and when such funds are available, as referenced in this report;
- 7) Authorize the Housing Commission’s President & CEO, or designee, to substitute approved funding sources for Residence Inn Hotel Circle with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient and/or appropriate to implement these approvals, upon the advice of General Counsel;
- 8) Authorize the Housing Commission’s President & CEO, and, if and as necessary, the Executive Director of the Housing Authority, or designee, and/or the Executive Vice President and Chief of Staff, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as

are necessary and/or appropriate to implement these approvals upon the advice of General Counsel, to allow the Housing Commission to acquire Residence Inn Hotel Circle on terms and conditions described in this report, as approved by General Counsel of the Housing Commission;

- 9) Approve all budgets associated with Residence Inn Hotel Circle. This includes the transfer and/or reallocation of funds between any and all funding use line items within the total approved development/project budget provided the total project/development budget amount after any and all transfers/reallocations does not exceed the previously approved budget total, in any instances when the operational need(s) arise and/or when such actions are to the benefit of the Housing Commission and its mission;
- 10) Ratify the execution of a PSA for the property located at 5400 Kearny Mesa Road, San Diego, CA 92111 (referred to as "Residence Inn Kearny Mesa"), dated July 20, 2020, with the seller RT San Diego, LLC;
- 11) Authorize the Housing Commission's President & CEO, or designee, upon satisfactory completion and evaluation of Residence Inn Kearny Mesa during the due diligence period to take such actions and perform such acts as are necessary to acquire Residence Inn Kearny Mesa, a 3.63-acre property with improvements for the price of \$39,500,000. RT San Diego, LLC shall provide clear fee simple titles upon acquisition of the property;
- 12) For Residence Inn Kearny Mesa, ratify the funding of the refundable escrow deposit of \$100,000 in accordance with the terms outlined in the PSA, which will be applicable to the purchase price and which deposit will become non-refundable upon the expiration of the due diligence period on November 17, 2020;
- 13) Authorize the Housing Commission's President & CEO, or designee, to execute and record an affordability covenant against the Residence Inn Kearny Mesa for 55 years, with 142 units remaining affordable at or below 80 percent of the San Diego Area Median Income (AMI) and two unrestricted managers' units, for a total of 144 units;
- 14) Authorize the purchase of the Residence Inn Kearny Mesa, associated closing costs as well as remediation and upgrades to the property utilizing \$10,000,000 in State Homekey Funds; \$17,425,852 in a permanent loan, from Chase Bank; \$6,594,517 in MTW funds; \$10,000,000 in City Coronavirus Aid, Relief, and Economic Security (CARES) Act Fund from the City of San Diego; and \$2,469,310 in a Deferred Developer Fee. The State Department of Housing and Community Development (HCD) informed the Housing Commission that it has reserved \$10,000,000 in Homekey grant funds for the Housing Commission for this property acquisition. However, in the unlikely event that such an HCD grant is not finally committed by HCD, this gap will be filled with an additional \$10,000,000 in CARES Act Funds from the City of San Diego. In addition, the Housing Commission's President & CEO, or designee, is hereby granted the authority to substitute alternative funds, provided that the amount of the substituted funding does not exceed the original funding amount(s), when in the best interests of the Housing Commission and when such funds are available, as referenced in this report;
- 15) Authorize the Housing Commission's President & CEO, or designee, to substitute approved funding sources for Residence Inn Kearny Mesa with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient and/or appropriate to implement these approvals, upon the advice of General Counsel;

- 16) Authorize the Housing Commission's President & CEO, and, if and as necessary, the Executive Director of the Housing Authority, or designee, and/or the Executive Vice President and Chief of Staff, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals upon the advice of General Counsel, to allow the Housing Commission to acquire Residence Inn Kearny Mesa on terms and conditions described in this report, as approved by General Counsel of the Housing Commission;
- 17) Approve all budgets associated with Residence Inn Kearny Mesa, as referenced within this report. This includes the transfer and/or reallocation of funds between any and all funding use line items within the total approved development/project budget provided the total project/development budget amount after any and all transfers/reallocations does not exceed the previously approved budget total, in any instances when the operational need(s) arise and/or when such actions are to the benefit of the Housing Commission and its mission.
- 18) Approve the execution of such funding agreements with the City of San Diego that may be necessary to allow for the acquisition of the Residence Inn Hotel Circle and Residence Inn Kearny Mesa properties, including but not limited to agreements to allow for the substitution of City of San Diego CARES Act Funding in the amount of \$10,000,000.00 in the unlikely event that the reservation of \$10,000,000 in HCD Funds for the acquisition of the Residence Inn Kearny Mesa property is not finally awarded by HCD and to allow for the substitution of eligible funds from the City of San Diego in the amount of \$27,700,000 in the unlikely event that the reservation of \$27,700,000 in HCD funds for the acquisition of Residence Inn Hotel Circle is not finally awarded by HCD. Housing Commission staff anticipate these funds will be awarded, but because of timing issues to close the purchase of the properties this year, there is not sufficient time to bring another action item forward at a later date, which makes this approval of a substitute funding source necessary. This is also necessary to allow the Housing Commission to submit a Subsidy Lawyering Review (SLR) to the U.S. Department of Housing and Urban Development in a timely manner, which is a prerequisite to final funding from all federal sources of funds.
- 19) Authorize the execution of the First Amendment to the CDBG Affordable Housing Revolving Loan Fund Memorandum of Understanding (MOU) between the City of San Diego and the Housing Commission.

Council President Gómez adjourned the Housing Authority at 1:27 p.m. to convene as the City Council. Council President Gómez reconvened the Housing Authority at 1:28 p.m.

ITEM 2: HAR20-032 Approval of the Fiscal Year 2021 Agreements Between the San Diego Housing Commission and 1) People Assisting the Homeless and 2) Father Joe's Village for the Provision of Services and Property Management Operations in San Diego Housing Commission-Owned Properties That Provide Permanent Housing with Supportive Services

Lisa Jones, Senior Vice President, Homeless Housing Innovations, and Michael Pavco, Senior Vice President, Acquisitions & Development, Real Estate Division, San Diego Housing Commission, presented the request for approval.

Motion by Councilmember Ward to approve the staff-recommended actions. Seconded by Councilmember Sherman and passed by a vote of 9-0.

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Authorize the San Diego Housing Commission's (Housing Commission) President & Chief Executive Officer (President & CEO), or designee, to execute an initial one-year operating agreement in an amount not to exceed \$2,793,106 with People Assisting the Homeless (PATH) to provide supportive services and property management in a permanent housing development at 1865 Hotel Circle South, San Diego, California 92108; and execute an initial one-year operating agreement in an amount not to exceed \$2,089,008 with Father Joe's Village (FJV) to provide supportive services and property management in a permanent housing development at 5400 Kearny Mesa Road, San Diego, California 92111;
- 2) Authorize the Housing Commission's President & CEO, or designee, to execute all necessary documents and instruments that are necessary and/or appropriate to implement these approvals, in a form and format approved by General Counsel, and to take such actions necessary and/or appropriate to implement these approvals; and
- 3) Authorize the Housing Commission's President & CEO, or designee, to substitute funding sources and/or increase compensation by not more than 20 percent of the total agreement amount for the proposed agreement, if necessary, without further action by the Housing Commission's Board of Commissioners (Board), but only if and to the extent that funds are determined to be available for such purposes.

Adjournment

Council President Gómez adjourned the meeting at 1:37 p.m.