



REPORT

DATE ISSUED: September 2, 2015

REPORT NO: HCR15-064

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of October 9, 2015

SUBJECT: San Diego Rescue Mission Revocable Grant Repayment and Release of Affordability Restrictions

COUNCIL DISTRICT: 2

REQUESTED ACTION

Approve the partial repayment of \$329,210 of the San Diego Rescue Mission's revocable grant and release the affordability restrictions on the property located at 120 Elm Street, San Diego.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) take the following actions:

- 1) Accept the repayment of \$329,210 as partial repayment of the revocable grant made to San Diego Rescue Mission for the project known as Harbor View located at 120 Elm Street, San Diego, as described within this report;
- 2) Approve the forgiveness of \$73,158 of revocable grant funds in recognition of the provision of 10 years of housing affordability; and
- 3) Authorize the President & Chief Executive Officer, or designee, to execute all documents and instruments necessary and/or appropriate to implement these approvals, in the form approved by General Counsel, and to take such actions as are necessary and/or appropriate to implement these approvals.

SUMMARY

On October 31, 2005, the Housing Commission funded a \$402,368 revocable grant to the San Diego Rescue Mission (SDRM). The funding source was a U.S. Department of Housing and Urban Development (HUD) Economic Development Initiative (EDI) grant approved by Congress in support of transitional housing. The funds were used to convert the former Harbor View Hospital, located at 120 Elm Street, San Diego, to a 379-bed facility for transitional housing, special purpose housing, and emergency shelter for extremely-low income homeless San Diegans. SDRM set aside 67 of the beds for transitional housing.

The Revocable Grant Agreement (Agreement) was evidenced by a Recourse Promissory Note (Note) executed by SDRM in favor of the Housing Commission. The Note bears no interest except in the case of a default. The Agreement and Note are to be forgiven at the end of 55 years. The Note also provides that the borrower may prepay the Note in whole or in part at any time without notice or penalty.

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SDRM is providing the required services and is currently in compliance with the rent and income restrictions of the Housing Commission's Grant Agreement and Declaration of Covenants, Conditions & Restrictions (CC&Rs). SDRM's mission, as published on their website, is "to spread the good news of salvation through Christ by serving the needs of the poor, addicted, abused, and homeless, thus improving the quality of their lives." In February 2012, SDRM was sued by a resident of the property related to the religious requirements of the program, which resulted in a Settlement Agreement (Settlement) in early 2014. One of the terms of the Settlement was that SDRM terminate their participation in the HUD and City of San Diego grants (as successor to the former Redevelopment Agency), or to restructure or renegotiate these grants. The City of San Diego, as the former Redevelopment Agency, funded a \$2,000,000 loan for the development of the Harbor View site.

In May 2015, SDRM proposed paying the discounted amount of \$250,000 in full satisfaction of the grant and termination of the Housing Commission CC&Rs. Because 45 years of affordability still remained under the CC&Rs, Housing Commission staff was not supportive of the proposed payoff. Housing Commission staff requested, and SDRM has agreed to pay the discounted amount of \$329,210 to fully satisfy the Agreement and Note. The payoff amount is prorated and was determined by dividing the original grant amount by 55 years and crediting the number of years (10) that the grant has been in effect since origination to the date of payment. The terms of the Agreement allowed for prepayment but were silent regarding the affordability restrictions. Upon receipt of payment, SDRM has requested that the Agreement and Note be cancelled, the Deed of Trust reconveyed, and the Declaration of CC&Rs be terminated.

Housing Commission staff recommend this action for the following reasons: 1) It will comply with the Settlement Agreement; 2) it will provide \$329,210 for investment in transitional housing activities for homeless San Diegans; and 3) there will be no loss of the affordable units because SDRM will continue to operate the units as transitional housing for homeless San Diegans.

AFFORDABLE HOUSING IMPACT

SDRM intends to continue operating the Harbor View property as a transitional housing and emergency shelter program. SDRM states that no clients in their programs at Harbor View will be displaced by this action.

FISCAL CONSIDERATIONS

Approval of this action will result in repayment of approximately \$329,210, which will be made available for investment in additional transitional housing activities. The proposed use of these funds will be presented to the Housing Commission in a future action item.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On March 23, 2004, the Housing Authority of the City of San Diego approved applying for the EDI grant and to release the funds to SDRM to be used for rehabilitation of the Harbor View Project (HCR04-10).

ENVIRONMENTAL REVIEW

This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section

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15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Administrative and management related activities, including the payment of any obligations guaranteed by HUD are exempt from the National Environmental Policy Act pursuant to Section 58.34(a)(3) and (11) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,

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Approved by,

Deborah N. Ruane

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Hard copies are available for review during business hours 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.