

**THE LONG BEACH HOUSING
DEVELOPMENT COMPANY MINUTES**

**WEDNESDAY, AUGUST 18, 2010
CITY HALL, 333 W. OCEAN BLVD.
3RD FLOOR CONFERENCE ROOM, 4:00 PM**

Patrick Brown, Chair
Stacy McDaniel, Vice Chair
Jonathan Gotz, Director



Kevin Cwayna, Director
Michael McCarthy, Director
Patrice Wong, Director
Anna Ulaszewski, Director

FINISHED AGENDA AND MINUTES

CALL TO ORDER

Vice Chair McDaniel called the meeting to order at 4:04 P.M.

ROLL CALL

Boardmembers Kevin Cwayna, Jonathan Gotz, Michael W. McCarthy, Patrice

Present: Wong, Stacy McDaniel and C. Anna Ulaszewski

Boardmembers Patrick Brown

Absent:

Staff present: Dennis Thys, President; Ellie Tolentino, Vice President; Angela Reynolds, Neighborhood Services Bureau Manager; Rich Anthony, Deputy City Attorney; Patrick Ure, Housing Development Officer; Dale Hutchinson, Housing Operations Officer; LaVerne Duncan, Housing Communications Officer; Robin Grainger, Housing Rehabilitation Officer; Meggan Sorensen, Development Project Manager; Norma Lopez, Development Project Manager; Maria Pangelinan, Community Development Analyst; Silvia Medina, Community Development Analyst; Pat Parga, Bureau Secretary; and Heather Murdock, Clerk Typist.

Guests present: Dee Andrews, Councilmember, District 6; John Edwards, Chief of Staff, Council District 6; Jamilla Vollmann, Redevelopment Bureau; Diane Arnold, RDA Board; Mike Murchinson, Murchinson Consulting; Dean R. Isaacson, DIDM Development; Malathi Iyergar, Ryan Baker, Janet Stroud, Hortencia Diaz, Ruby Arrington, Heather Sanchez, Carmen Castillo, Rebecca Castillo, Prudencio Viera, Ruby Mays, Olive Court Residents; and P. G. Herman.

REPORT OF THE CHAIR

Vice Chair McDaniel welcomed Councilmember Andrews and stated that Item 3 would be taken out of order to accommodate the Council member's schedule.

1. 10-059HC Recommendation to receive and file the minutes of the regular Board meeting of July 21, 2010.

A motion was made by Boardmember Ulaszewski, seconded by Boardmember McCarthy, to receive and file the Board minutes of July 21, 2010. The motion carried by the following vote:

Yes: 6 - Kevin Cwayna, Jonathan Gotz, Michael W. McCarthy, Patrice Wong, Stacy McDaniel and C. Anna Ulaszewski

Absent: 1 - Patrick Brown

ACTION ITEMS

2. 10-061HC Recommendation to determine an appropriate response to the request of Olive Court homeowners.

Deputy City Attorney Anthony reviewed the staff report.

Vice Chair McDaniel asked if there were any comments or questions from the public.

The following Olive Court homeowners spoke:

Malathi Iyengar spoke about writing the proposal.

Ryan Baker reviewed the proposal presented by the homeowners.

Ruby (Mays) Arrington spoke about the homeowner that lost his job and terrible living conditions at the last place she lived.

Hortensia Diaz spoke about trying to sell her unit but not receiving calls back from staff.

Heather Sanchez spoke about the banks not wanting to help her because of the second mortgage.

Vice Chair McDaniel stated that the discussion would be taken behind the rail and asked the Boardmembers if they had any questions.

Boardmember Ulaszewski asked about the lack of communication as stated by the homeowners.

Vice President Tolentino responded that she would look into the problem.

Further discussion ensued.

Boardmember McCarthy inquired if the properties have to be sold at an affordable price.

Deputy City Attorney Anthony responded that homeowners are not required to sell at an affordable price, however, the covenants would still remain in place.

Further discussion ensued.

Boardmember McCarthy stated that if the LBHDC were to forgive part of the debt and the homeowner stayed in property for 30 years, they could receive a huge profit. He also stated that the proposal used some amortization numbers, which are based on the debt due in 30 years, however, there is no way to know what the homeowners will need to save.

Deputy City Attorney Anthony stated that the debt is not necessarily due in 30 years.

Further discussion ensued.

Vice President Tolentino clarified that there is no balloon payment due in 30-years, that the payment is due at the earlier of the acceleration of the loan or when transfer is made, even after the expiration of the 30 year term.

Boardmember Cwayna asked if the homeowners felt trapped because if they sold their units they it would be financially crippling.

Further discussion ensued.

Vice Chair McDaniel asked Vice President Tolentino to review the incorrect assumptions found in the homeowners' proposal.

Vice President Tolentino reviewed several incorrect assumptions from the proposal.

Further discussion ensued.

Vice Chair McDaniel asked if there was a right of rescission.

Vice President Tolentino stated that there was.

Vice Chair McDaniel inquired if the homeowners would incur a tax liability if the loans were forgiven.

Vice President Tolentino stated that they would.

Boardmember Ulaszewski asked what the difference was between moderate- and low-income buyers.

Vice President Tolentino stated that the terms were basically the same, but based on the funding source, there may slight differences.

Boardmember Ulaszewski asked about the payback being greater than 30%.

Vice President Tolentino responded that certain formulas were based on the funding source.

Boardmember Ulaszewski asked if there was any sort of relief available for individuals who lost their job and may default on their loan.

Vice President Tolentino stated that staff is currently working with one homeowner and is willing to consider assisting others on a case-by-case basis.

Vice Chair McDaniel asked if all participants were required to take a homeownership class and, if so, what topics were covered in the class.

Vice President Tolentino stated that all homeowners were required to take a homeownership class, which basically covered budgeting and the responsibilities of a homeowner.

Vice Chair McDaniel asked if in the classes the LBHDC promoted the growth of equity in these units as a guaranteed benefit of homeownership.

Vice President Tolentino responded that they did not guarantee anything.

Vice Chair McDaniel asked if the risk of homeownership, i.e. the fact that the market can go up and down, was clearly disclosed.

Vice President Tolentino stated that she believed that it was.

Vice Chair McDaniel inquired if the LBHDC forgave the loans to the homeowners and the market came back, could the homeowners then make a large profit because they would be free from the second mortgage obligation.

Vice President Tolentino stated that the homeowners could profit if income levels went up and, therefore, the affordable prices went up.

Further discussion ensued.

President Thys stated that if the Board looks at a policy consideration for this particular project, it could transcend to all of LBHDC's affordable housing projects and the second mortgage assistance program, which would result in a potential impact of \$22 million being forgiven.

Further discussion ensued.

Boardmember Gotz asked if it would affect further projects.

President Thys stated that it would affect the LBHDC's ability to do affordable housing and second mortgages in the future.

Further discussion ensued.

Vice Chair McDaniel stated that it may also expose the LBHDC to the potential liability of a discrimination claim if it treated those participants differently in comparison to these participants.

Boardmember Gotz asked what would happen to the LBHDC's money if the Olive Court residents walked away.

Further discussion ensued.

Boardmember Gotz asked about the homeowners' average investment to get into their units.

Staff Sorensen stated that the average investment by the homeowner was 1% plus closing costs or roughly \$10,000.

Further discussion ensued.

Boardmember Ulaszewski stated that if a person has a real problem, staff is willing to try and work something out. She inquired if there was or was not a balloon payment due at the end of the term.

Further discussion ensued.

Deputy City Attorney Anthony stated that there is a balloon payment due, however, it is not necessarily due in 30 or 45 years, but at transfer of property.

Boardmember Ulaszewski stated that a problem only occurs if the homeowner needs to sell the unit in the next few years.

Further discussion ensued.

Boardmember Ulaszewski stated that not all the homeowners' situations were emergencies.

Boardmember Cwayna disagreed.

Further discussion ensued.

Boardmember Wong was concerned that due to the use of various funding sources, if the Board were to forgive the loan, there may be an unequal application based on the particular circumstances of each loan.

Vice President Tolentino stated if the Board forgave the CalHome and the Begin funded loans, the money would have to be paid back to the State.

Further discussion ensued.

Boardmember Ulaszewski asked about the serious health and safety code violations mentioned in the proposal.

Further discussion ensued.

Vice Chair McDaniel inquired if the LBHDC goes through an extensive due diligence process and uses independent appraisal experts to set appropriate affordable housing prices at a particular point in time.

Vice President Tolentino confirmed that she was correct.

Boardmember McCarthy stated that from a financial point of view, the only debt obligation that is relevant is the first mortgage loan. He stated that as long as the homeowner can sell above the first mortgage, they should not end up with a serious debt obligation. If at the time of sale, however, the homeowner has a problem, the LBHDC is willing to try to help.

Vice Chair McDaniel stated that these homeowners also have the same rights as any other California homeowner to walk away from their loans.

Boardmember McCarthy stated that the value of a dollar 10 years from now is zero.

Boardmember Ulaszewski stated she is not willing to look at a blanket solution to this problem when in some cases there is no problem as yet.

Vice Chair McDaniel stated that any individual homeowner could come to the LBHDC and make a case for assistance.

Further discussion ensued.

Boardmember Cwayna stated that he was interested in keeping the people the LBHDC works with happy and doesn't feel that all options have been thoroughly considered.

Boardmember McCarthy stated that all options were considered. He stated there is no problem, unless the homeowner is trying to sell now. As long as the homeowner sells for more than the first mortgage, there should be no problem.

Boardmember Gotz stated that the LBHDC helped them become homeowners, however, the Board cannot foresee future events, such as the market turning south or who will lose their job. He does not see any problems that have not been addressed, but asked for clarification on the balloon payment.

Boardmember Wong stated that time does not trigger the repayment of the balloon payment.

Further discussion ensued.

Deputy City Attorney Anthony stated that the trigger is the transfer; that to avoid the balloon payment, the homeowner needs to remain in the unit.

Boardmember Ulaszewski stated that a blanket solution now might not be the correct solution for all the homeowners, but that staff should work with individuals as problems occur.

President Thys stated that it would not be advisable to allow the units to be leased or rented; it would be a disadvantage to not only the LBHDC, but also to everyone who lives in the development.

Further discussion ensued.

Boardmember Gotz inquired if the motion gave enough guidance to staff.

Boardmember McCarthy stated that he felt there was enough information available to assist staff.

Further discussion ensued.

Boardmember Wong inquired as to what Boardmember Cwayna's concerns were.

Boardmember Cwayna stated that he was looking for a partnership solution; however, it seems that the Board has decided what a problem is and what a problem is not. He also says that he was not comfortable with what he heard about the receptivity of staff when homeowners tried to reach out for help.

Further discussion ensued.

A substitute motion was made by Boardmember McCarthy, seconded by Boardmember Ulaszewski, that this matter be received and filed with the understanding that staff will address any specific problems on a case by case basis as they arise and report to the Board. The substitute motion carried by the following vote:

Yes: 5 - Jonathan Gotz, Michael W. McCarthy, Patrice Wong, Stacy McDaniel and C. Anna Ulaszewski

No: 1 - Kevin Cwayna

Absent: 1 - Patrick Brown

3. 10-060HC

Recommendation to:

- 1) Authorize the President or designee to enter into an Agreement to Negotiate Exclusively with the Redevelopment Agency of the City of Long Beach and D.I.D.M. Development Corporation for the site located at Vernon Street and Atlantic Avenue for a period of 180 days;
- 2) Authorize the President or designee to execute any and all documents necessary to implement the Agreement to Negotiate Exclusively.

President Thys reviewed the staff report.

Boardmember Ulaszewski asked if the affordability mix was 15% affordable.

President Thys stated that project was still in the negotiation process; that there have been some preliminary discussions but the financing availability and community needs have not been determined. The agreement would give staff the opportunity to look into these types of details.

Boardmember Ulaszewski asked if it the LBHDC's input is a required

part of the funding mix.

President Thys stated that it was, which is why it is a 3-party agreement.

Vice Chair McDaniel opened the discussion to comments or questions from the public; however, there were no comments or questions from the public.

A motion was made by Boardmember Ulaszewski, seconded by Boardmember McCarthy, to approve the recommendation. The motion carried by the following vote:

Yes: 6 - Kevin Cwayna, Jonathan Gotz, Michael W. McCarthy, Patrice Wong, Stacy McDaniel and C. Anna Ulaszewski

Absent: 1 - Patrick Brown

4. 10-064HC

Recommendation to approve an owner-occupied housing rehabilitation loan to Ms. Lana Blackburn in an amount not to exceed \$137,000.

Staff Grainger reviewed the staff report.

Boardmember Gotz asked if \$1,000 a month rent was a reasonable amount for the extra unit.

Staff Grainger responded that it falls under HUD's parameters for eligible rent.

Boardmember McCarthy spoke about the large number of code violations; however, he stated what else could the City do. He stated if the LBHDC does not rehabilitate the site, there would be standing blight in the neighborhood.

Further discussion ensued.

Staff Reynolds stated that the City could take it as a substandard building to the Board of Appeals and Condemnation, requiring the owner to fix it or tear it down. She stated that it is not in a historic neighborhood, but it is a historic property.

Boardmember Gotz asked what would happen if the owner failed to maintain the property again; what could the LBHDC do to protect its assets.

Further discussion ensued.

Staff Reynolds stated that the owner was not very young and was in poor health.

Further discussion ensued.

Boardmember McCarthy stated that the primary concern should be for the neighbors and that the alternative would be to condemn the site and have it torn down.

Further discussion ensued.

Staff Reynolds stated that the rehabilitation of this unit would accomplish the following: the neighborhood will love it; a historical asset would not be lost; and the unit would not be torn down, which would punch a hole in the fabric of the neighborhood.

Vice Chair McDaniel stated it would also provide an affordable unit to the renter.

President Thys stated that there would actually be two affordable units, the owner's unit and the rental unit.

Boardmember Ulaszewski stated that the percent of loan to value is 67.17 percent, which is way below what is usually required.

Boardmember McCarthy stated that the opinion of the Programs Committee is that while this may not be a good solution, it may be the only practical one.

Diane Arnold, RDA Boardmember, asked what would happen if the owner does not return home and who would repay the loan.

Staff Grainger responded that the owner signed a document stating that she would live in the unit.

Staff Reynolds stated that the debt would remain with the property.

Boardmember Gotz stated that the loan becomes due and payable when the deed changes names.

Further discussion ensued.

Deputy City Attorney Anthony asked if there was a first mortgage on the unit.

Staff Grainger stated that there was, but it was for only \$71,000.

Further discussion ensued.

Boardmember Cwayna asked if \$18,000 was a lot for roofing.

Staff Reynolds stated that the cost of roofing was high because it was a duplex with an interesting tudor style historic roof.

Further discussion ensued.

Boardmember Cwayna asked why the replacement of medicine cabinets was a code violation.

Staff Reynolds responded that the current medicine cabinets were trashed.

Further discussion ensued.

Vice Chair McDaniel asked how much of the rehabilitation is required due failure to maintain.

Staff Reynolds responded that just about all is related to poor maintenance.

Boardmember Gotz asked where the owner was living previously.

Staff Reynolds stated that the owner previously lived in the attic and sometimes in the garage.

Boardmember Cwayna asked how much cooperation could be expected from the owner since she has been uncooperative in the past and is currently living in a rehab facility.

Staff Reynolds responded that she or her agent would need to be there to sign off on the work by the contractor at least three times and staff has spoken with the brother.

Further discussion ensued.

President Thys stated that it might be worthwhile for the Boardmembers to go out and take a look at the property.

Further discussion ensued.

A motion was made by Boardmember Gotz, seconded by Boardmember McCarthy, to approve the recommendation. The motion carried by the following vote:

Yes: 6 - Kevin Cwayna, Jonathan Gotz, Michael W. McCarthy,
Patrice Wong, Stacy McDaniel and C. Anna Ulaszewski

Absent: 1 - Patrick Brown

5. 10-065HC Recommendation to receive and file the financial report for the period ending June 30, 2010.

There was no discussion on this item by the Board.

A motion was made by Boardmember McCarthy, seconded by Boardmember Ulaszewski, to receive and file the financial report for the period ending June 30, 2010. The motion carried by the following vote:

Yes: 6 - Kevin Cwayna, Jonathan Gotz, Michael W. McCarthy,
Patrice Wong, Stacy McDaniel and C. Anna Ulaszewski

Absent: 1 - Patrick Brown

COMMITTEE REPORTS

6. 10-062HC Recommendation to receive and file the committee minutes.

The committee minutes were received and filed.

A) Executive Review Committee – No August Meeting

B) Programs Committee - August Minutes

C) Projects Committee - No August Meeting

A) Executive Review Committee – No August Meeting

B) Programs Committee - August Minutes

Boardmember McCarthy stated that the loan the Board previously discussed was the main topic of the last meeting, but that they also funded a multi-family loan.

Boardmember Wong stated that they would be bringing another loan to the Board soon.

C) Projects Committee - No August Meeting

REPORT OF THE PRESIDENT

7. 10-063HC Recommendation to receive and file the reports of the President.

The reports of the President were received and filed.

A) Summary of Projects Reports

Vice Present Tolentino reviewed the five projects currently under construction or rehabilitation: Meta Housing, Coronado, Palace Hotel, Courtyards, and Habitat.

Boardmember Gotz inquired if any of these would be finished by the end of the year.

Vice Chair McDaniel stated that Habitat had staked the foundations, but were not able to pour.

B) Upcoming Meetings and Special Events

Vice President Tolentino reviewed the results of the Foreclose Prevention and Homeownership Fair held on Saturday, August 7.

Vice President Tolentino announced that Gallery 421 would be having a grand opening event on Thursday, August 26 from 5 to 8 p.m.

Further discussion ensued.

NEW BUSINESS

President Thys stated that staff received a formal request from Lyons Communities for financing for 10 of the 96 units at the old Southern California Edison Building/City Hall East site.

Further discussion ensued.

President Thys stated that staff, along with the Redevelopment Agency, met with United Cerebral Palsy regarding the RDA-owned property located at 4800 Long Beach Blvd., just south of Del Amo.

Further discussion ensued.

Boardmember Gotz spoke about the design for the previously proposed Ronald McDonald House for the site.

Further discussion ensued.

Vice President Tolentino distributed brochures for the NSP2 program.

Staff Hutchinson spoke about the NSP2 program.

Further discussion ensued.

PUBLIC PARTICIPATION

There were no members of the public present at this time.

ADJOURNMENT

Vice Chair McDaniel adjourned the meeting at 5:50 P.M.


Note:

A digital recording of this meeting will be available in the Housing Services Bureau at (562) 570-6359.

Written material relating to any item on the Board's agenda which is submitted to the Board after distribution of the agenda packet will be available for inspection in the Housing Services Bureau's offices at 110 Pine Avenue, Suite 1200, Long Beach, CA 90802.

PP

Respectfully submitted,

for 

DENNIS J. THYS, PRESIDENT

Approved by:



PATRICK BROWN, CHAIR