

(R-90-2271)


RESOLUTION NUMBER R-276013

ADOPTED ON JUN 26 1990

BE IT RESOLVED, by the Council of The City of San Diego, that the City Manager is hereby authorized and empowered to execute, for and on behalf of The City of San Diego, an agreement with the CENTER FOR SOCIAL SERVICES, a California nonprofit corporation, which agreement would make available to the Center for Social Services, \$600,000 in Community Development Block Grant funds to assist them in acquiring a permanent facility, as more particularly described in that Manager's Report attached hereto and by this reference incorporated herein, under the terms and conditions set forth in that agreement on file in the office of the City Clerk as Document No. RR-276013.

BE IT FURTHER RESOLVED, that the expenditure of \$600,000 from CDBG Fund 18526, Department 5893, Organization 9301, as a portion of the funds necessary for the Center for Social Services's purchase of a permanent facility located at 3916 Normal Street, or an alternative site approved by the City Manager, is hereby authorized and approved.

APPROVED: JOHN W. WITT, City Attorney

By 
Harold O. Valderhaug
Deputy City Attorney

HOV:ps
06/21/90
Or.Dept:Prop.
Aud.Cert:9100024
Job:520973
R-90-2271
Form=r-t

DATE ISSUED:

REPORT NO.

ATTENTION: City Council Docket

SUBJECT: CDBG Funds for Center for Social Services

SUMMARY

Issues - Should the City Council:

1. Authorize the City Manager to execute an agreement with the Center for Social Services making available \$600,000 in Community Development Block Grant funds to assist the Center in acquiring a permanent facility; and
2. Authorize the expenditure of \$600,000 from CDBG Fund 18526, as a portion of the funds necessary for the agency's purchase of the property located at 3916 Normal Street, or purchase of an alternate property as approved by the City Manager, contingent on availability of funds by July 1, 1990?

Manager's Recommendations -

1. Authorize the City Manager to execute the agreement; and
2. Authorize the expenditure of funds for the property at 3916 Normal Street or an alternate property as approved by the City Manager contingent on availability of funds.

Other Recommendations - None.

Fiscal Impact - \$600,000 will be expended from CDBG Fund 18526 after July 1, 1990.

BACKGROUND

City Council allocated \$600,000 from 1990 CDBG funds to the Center for Social Services for the purchase of a permanent facility to treat persons with AIDS, HIV and AIDS-related syndrome, and provide counseling and services to the gay and lesbian community. These funds will become available on July 1, 1990.

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The Center has identified and made an offer on an 8,000-square-foot facility at 3916 Normal Street in Hillcrest. The property is in escrow for a sales price of \$1.05 million, with escrow scheduled to close July 16. Prior to informing City staff, the Center had deposited a \$25,000 non-refundable deposit into escrow.

Agreement Between City and the Center for Social Services

Under the terms of the proposed agreement:

1. The Center would own the property and the City would hold a note and trust deed for \$600,000, due and payable if the property: a) ceases to be used for the purposes specified in the Agreement; or b) is sold or otherwise transferred, unless otherwise agreed to in writing by the City.
2. The City would participate in any proceeds from loan funds which are not used for capital improvements to the facility in the same ratio as the percentage of the City's contribution to the purchase price.
3. City would retain right of first refusal to acquire the property in the event it is sold.
4. City funds would not be provided for the purchase of any property where the purchase price exceeds fair market value of the property.

Property at 3916 Normal Street

The property which the Center proposes to purchase was originally listed for lease for a five-year term. It had been purchased in 1988 for \$575,000. The Center made an offer to purchase the property at \$1.2 million, with \$600,000 down and seller to carry the balance at 12 percent interest. This offer was accepted by the seller. Property was placed in escrow with a \$25,000 nonrefundable deposit and closing scheduled for July 16.

Unfortunately, an independent appraisal of the property came in at \$950,000, \$250,000 below the agreed upon sales price. The appraisal was reviewed and deemed acceptable by the Property Department. It is recognized, however, that there may be some variation in appraisals of the same property within a reasonable range of value, depending upon comparable sales used and various other factors. A variance of plus or minus 10 percent on a particular appraisal value would appear to fall within a reasonable range of value. Therefore, a sales price of \$1.045 million would not be considered to be unreasonable for the subject property and could be considered to be a fair market value.

When the appraisal came in at \$950,000, the Center approached the seller with a revised offer. A new sales price was agreed upon of \$1.05 million with \$600,000 down and seller to carry the balance at 16 percent interest. Essentially, this guarantees the seller the same cash flow but transfers the payment from principle to interest, so that the sales price appears closer to fair market value. At 16 percent interest on the \$450,000 balance, there is an \$18,000 per year interest differential or \$90,000 over five years, bringing the effective price from \$1.2 million to \$1.11 million.

At 16 percent, the interest rate is of course considerably higher than prevailing mortgage interest rates. The Center has indicated that it hopes to pre-pay the loan balance out of other grant funding sources, thereby avoiding the high interest payment.

An important consideration in the Center's desire to move forward with the acquisition of the Normal Street property is the potential loss of State grant funds by one of the groups providing services at the Center. The San Diego Community Healthcare Alliance that will provide adult day health care services to persons with AIDs has been designated the recipient of \$100,000 in State grant funds provided they are licensed and in operation by August 31, 1990. To be licensed, they must first acquire a location. Time constraints would not allow the agency to locate another site, remodel it, and be licensed by the August 31, 1990 deadline.

ALTERNATIVES

Agreement

1. Direct staff to modify the proposed agreement.
2. Reject the proposed agreement.

Authorization for \$600,000 Expenditure

1. Do not authorize the expenditure of funds for the property at 3916 Normal Street. Authorize the expenditure for an alternative property to be approved by the City Manager, contingent on the availability of funds by July 1, 1990.
2. Do not authorize the expenditure of funds at this time.

Respectfully submitted,

Maureen A. Stapleton
Deputy City Manager

SPOTTS:RKK:(66-3)
6-21-90
Dept:Prop:MR:866

R-276013

The City of San Diego
CERTIFICATE OF CITY AUDITOR AND COMPTROLLER

CERTIFICATE OF UNALLOTTED BALANCE AC 9100024

ORIGINATING DEPT. NO.: 070

I HEREBY CERTIFY that the money required for the allotment of funds for the purpose set forth in the foregoing resolution is available in the Treasury, or is anticipated to come into the Treasury, and is otherwise unallotted.

Amount \$ _____ Fund _____

Purpose _____

Date _____, 19____ By: _____

AUDITOR AND COMPTROLLER'S DEPARTMENT

ACCOUNTING DATA										
ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/EQUIP	FACILITY	AMOUNT
TOTAL AMOUNT										

FUND OVERRIDE

CERTIFICATION OF UNENCUMBERED BALANCE

I HEREBY CERTIFY that the indebtedness and obligation to be incurred by the contract or agreement authorized by the hereto attached resolution, can be incurred without the violation of any of the provisions of the Charter of the City of San Diego; and I do hereby further certify, in conformity with the requirements of the Charter of the City of San Diego, that sufficient moneys have been appropriated for the purpose of said contract, that sufficient moneys to meet the obligations of said contract are actually in the Treasury, or are anticipated to come into the Treasury, to the credit of the appropriation from which the same are to be drawn, and that the said moneys now actually in the Treasury, together with the moneys anticipated to come into the Treasury, to the credit of said appropriation, are otherwise unencumbered.

Not to Exceed \$ 600,000.00

Vendor Center for Social Services

Purpose Authorizing the expenditure of funds for an agreement regarding community development block grant.

Date June 21, 1990

By: *Amy Rodenberg*
 AUDITOR AND COMPTROLLER'S DEPARTMENT

ACCOUNTING DATA										
ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/EQUIP	FACILITY	AMOUNT
1		18526			9544					\$600,000.00
TOTAL AMOUNT										\$600,000.00

FUND OVERRIDE

R-276013

JUN 26 1990

AC 9100024

JUN 26 1990

Passed and adopted by the Council of The City of San Diego on.....
by the following vote:

Council Members	Yeas	Nays	Not Present	Ineligible
Abbe Wolfsheimer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ron Roberts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Hartley	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
H. Wes Pratt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Linda Bernhardt	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
J. Bruce Henderson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Judy McCarty	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Filner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Maureen O'Connor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

MAUREEN O'CONNOR
Mayor of The City of San Diego, California.

(Seal)

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California.

By *Blonde R. Barnes*, Deputy.

Office of the City Clerk, San Diego, California

Resolution **R-276013** Adopted **JUN 26 1990**
 Number Adopted.....

RECEIVED
90 JUN 22 AM 9:31
CITY CLERKS OFFICE
SAN DIEGO, CA