

RESOLUTION NUMBER R- 297554

ADOPTED ON JAN 14 2003

BE IT RESOLVED, by the Council of the City of San Diego, that it approves the establishment of the proposed guidelines for the administration and use of the Department of Housing and Urban Development [HUD] Section 108 Loan Program as follows:

I. COLLATERALIZATION

1. Whenever possible, the Manager will recommend to the Council that the loan related asset, including leasehold interests and/or any revenue generated by the loan related project be used to collateralize the loan.

2. When full collateralization of a loan is not possible using only the loan related asset or revenue stream, the Manager will consider the following options in terms of each project's situation and needs and will recommend that one or more of the following be used:

a. From within the same Council district only, alternative real estate, revenue, or other assets including but not limited to:

Other 108 loan financed real estate which has uncollateralized value

Any other appropriate City property

Tax increment revenue (applicable only to projects in redevelopment areas)

Assignment of leasehold interests, including the assignment of rights related to lease-leaseback agreements on property that could not otherwise be used as collateral, parkland in particular

b. Granting HUD the right to attach the City's final CDBG entitlement grant in the event that Congress terminates the CDBG program.

3. Community and Economic Development staff will keep track of collateral status for each loan and, in the case of those that are collateralized wholly or in part by alternatives contained in Guideline 2, will take necessary steps to reduce the collateral to only the loan related assets. These steps could include the release of encumbrances as loans are paid down and the substitution of one collateral source for another. HUD is generally receptive to substitution of collateral as long as the newly offered collateral meets their 125 percent requirement.

II. LIMITS ON HUD SECTION 108 DEBT


Establish a limit on 108 debt to an amount no more than the 3.5 times the City's annual CDBG entitlements grant award.

III. ESTABLISHMENT OF AN ANNUAL APPLICATION PROCESS FOR 108 LOANS

The Manager will utilize the annual Consolidated Plan process to provide a status report regarding use of Section 108 funds to the City Council.

To the greatest extent possible, the Consolidated Plan process will be used to structure the consideration of projects to be assisted with 108 loan funds.

APPROVED: CASEY GWINN, City Attorney

By 
Lisa A. Foster
Deputy City Attorney

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