INFORMATIONAL MEMORANDUM

TO: Agency Commissioners

FROM: Fred Blackwell, Executive Director

SUBJECT: Sale of 119-121 Holly Park Circle, Stinson House, Housing Opportunities for Persons with AIDS Program

EXECUTIVE SUMMARY

Housing Services Affiliate of the Bernal Heights Neighborhood Center (“HSA”) is planning to sell Stinson House at 119-121 Holly Park Circle because repairs need coupled with insufficient operating funds make the continued operation of the site infeasible. In 1993, Housing Opportunities for Persons with AIDS (“HOPWA”) loan funds were used to acquire and rehabilitate Stinson House. From 1994-2009, Stinson House provided three shared housing units and one individual housing unit along with support services for very low-income people living with HIV/AIDS. However, Stinson House’s annual income is inadequate to support both the annual operating expenses and the ongoing repair and replacement needs of the property. Once sold, HSA will return the proceeds from the sale of Stinson House to the Agency, as required by the U.S. Department of Housing and Urban Development (“HUD”) and HOPWA regulations. The Agency will invest these funds in 5 HOPWA-designated units within a new larger affordable housing project that will be more financially stable. All residents of Stinson House have been relocated to other affordable housing. Security has been provided for the property while vacant.

DISCUSSION

Stinson House consists of two flats (a one bedroom flat and a three bedroom flat) at 119-121 Holly Park Circle in Bernal Heights. In 1993, Bernal Heights Neighborhood Center (“BHNC”), later known as Housing Services Affiliate of the Bernal Heights Neighborhood Center (“HSA”), acquired the Stinson House with Housing Opportunities for Persons with AIDS (“HOPWA”) loan funds totaling $409,550. At that time, HSA partnered with the Black Coalition on AIDS (“BCA”) to provide supportive services to Stinson House residents. Stinson House was one of the earliest HOPWA capital projects purchased at a time when the housing market was very affordable and the AIDS community wanted small, AIDS-exclusive projects located throughout the City in diverse neighborhoods. At the time, few options for operating subsidies existed.

Over the next fifteen years, Stinson House required several rehabilitations. On August 8, 2000, the Commission approved the first request by HSA for $60,261 to complete rehabilitation work at Stinson House. This work consisted of providing a wheelchair accessible unit, completing interior and exterior painting, and replacing deteriorated windows, screens, and flooring. The Commission also approved two additional amendments to extend the commencement and completion dates for the rehabilitation. The rehabilitation was completed on June 13, 2002. HSA identified further rehabilitation needs at Stinson House in 2004, including correcting dry rot on the exterior deck and stairs; replacement of the roof; replacement of the fence and
replacement of a kitchen cabinet/countertop at a cost totaling $35,833. The Commission approved a request to fund the further rehabilitation on July 20, 2004. This work was completed in July 2006. In 2007, HSA staff determined that Stinson House needed additional rehabilitation, due to the unforeseen deterioration of the siding at an estimated cost of approximately $400,000. Bill O’Brien, the Agency’s construction specialist, concurred with HSA’s assessment. However, HSA and Agency staffs were concerned about proceeding with such a large investment of HOPWA funds given the property’s financial instability.

The building’s operating income consisted of tenant rent and approximately $9,000 in annual funding from the Department of Public Health (“DPH”). As required by HOPWA regulations, all tenants paid 30% of their income toward rent. Most tenants’ sole incomes were from public assistance, either General Assistance or Supplemental Security Income, therefore less than 20% of Area Median Income. The three-bedroom flat did not have rental subsidies; therefore the only income generated from that unit was from tenant rents. Due to budget constraints, DPH was unable to increase their funding to the property. For these reasons, Stinson House’s annual income was inadequate to support both the annual operating expenses and a building reserve that would have supported the ongoing needs of the property.

Given the combination of ongoing building needs and insufficient operating funds, HSA staff requested to relocate the tenants and sell the property and return the proceeds to the Agency as repayment of the HOPWA loan funds so the funds could be used to invest in other sustainable housing for people living with HIV/AIDS. Agency Housing Staff, in consultation with Agency Real Estate Division staff, considered this request and agreed that this was the best solution for the following reasons:

- Stinson House is not financially sustainable without more operating income, which is currently unavailable from either HOPWA or other City funding sources.
- Stinson House has been in operation for nearly 15 years, which meets HUD’s requirement that HOPWA-funded projects remain restricted to HOPWA-eligible tenants for at least 10 years.
- To maintain the continuous financial viability of HOPWA-funded units, the Agency’s HOPWA program has changed over the years. Now, all HOPWA units are subsidized by either a project-based subsidy or by the revenue generated from other units within the larger development.
- In response to the needs of the community, the HOPWA program has shifted its focus to independent housing with on-site supportive services, not shared housing with off-site supportive services like Stinson House.
- The Agency will be able to use the funds generated from the sale of Stinson House to replace these units with independent housing with on-site supportive services that are subsidized.

HSA’s loan balance for Stinson House is $499,481, not including accrued interest of over $200,000. If the net sales proceeds exceed what is due to the Agency to repay the HOPWA loan, it will be considered HOPWA program income per HUD regulations, and will be returned to the Agency to be used for HOPWA-eligible expenses. Agency staff considered this request and agreed that it would be the best solution to the problems at Stinson House and would allow the Agency to create more sustainable HOPWA units.
Since that time, HSA has relocated all of the tenants to other affordable housing. Several tenants moved to another HSA HOPWA project, Precita House. HSA has consulted with several real estate brokers and Agency Housing Division and Real Estate Division staff regarding the optimal timing of the sale, as well as pricing of the building. The current market indicates that the sale will generate at least enough money to repay the HOPWA loan.

If there are no objections by the Commission, the Executive Director will approve the sale and the removal of the Declaration of Restrictions from this property prior to the posting of the property.Removing the Declaration of Restrictions prior to offering the building for sale will facilitate HSA’s ability to sell the property for its highest value, therefore maximizing the amount of funds available for new HOPWA units. Once Agency staff has received the funds and determined where they may be programmed, staff will return to Commission for authorization of the use of the funds.

(Originated by Elizabeth Colomello, Development Specialist)

Fred Blackwell
Executive Director