

[Sacbee.com](#) | [Sacramento.com](#) | [Bee Today](#) | [Lifestyle](#) | [Politics](#) | [Sports](#) | [Voices](#)

## Your Newspaper Just Got Better.



**S FINANCE**

**TECH**

**CAREERS**

### News



#### Local business news

**Judge saves subsidized tenants -- for now**

**Calpine plans big Folsom expansion**

**Vanishing act: Midtown antiques stores fading into past**

**Intel offering severance deals to meet cutback goal**

**Wired Life: Mailing lists, newsgroups provide alternatives to chat**

#### MORE STORIES

Local news

**GO**



PRINTER-FRIENDLY  
VERSION OF STORY

## Judge saves subsidized tenants -- for now

By Denny Walsh and Walt Wiley

Bee Staff Writers

(Published May 3, 2001)

U.S. District Judge Lawrence K. Karlton on Wednesday granted a reprieve to at least 351 families who face homelessness if they lose their rental assistance.

In an unprecedented action, Karlton ordered the Bush administration not to let a Sacramento County landlord pay off the federally subsidized mortgages on four apartment complexes.

Attorneys involved in the matter said they believe it is the first time a court has stepped in to stop a landlord's attempt to get out of the affordable housing market.

Karlton issued the temporary restraining order (TRO) and set another hearing for June 18. The judge recognized that federal officials and the property owner "had no time to respond in an orderly and sensible way" to Tuesday's application for a temporary restraining order. On the other hand, he did not want people to lose their homes in the meantime.

The complexes involved are the 97-unit Kenneth Arms in Carmichael, the 89-unit Manzanita Arms in Carmichael, the 95-unit Rancho Arms in Rancho Cordova and the 70-unit San Juan Apartments in Fair Oaks.



Kathy Pounds says she has no idea where she could move if the rent-subsidized apartment where she now lives is sold.

**Bee / José M. Osorio**



E-MAIL THIS STORY  
TO A FRIEND

"I guess I'm pretty typical here," Rancho Arms resident Kathy Pounds said in an interview Wednesday. "I just couldn't pay any more for rent.

"I pay \$328 a month, but my monthly income from SSI is only \$712. And I sure don't know where else I can move."

Pounds, 32, is disabled by fibromyalgia. She has lived in small but tidy quarters at Rancho Arms for a year.

Prepayment of federally subsidized mortgages on the four complexes was the most pressing issue because that paperwork is currently being processed by the U.S. Department of Housing and Urban Development. However, the temporary restraining order also directs HUD Secretary Mel Martinez not to allow the apartments' owner to opt out of subsidized rental contracts and not to approve the scheduled May 31 sale of the four properties.

In a short hearing Wednesday, Assistant U.S. Attorney Kendall Newman told Karlton the application filed by lawyers for the apartments' tenants "dropped a hornet's nest into HUD locally and in Washington, D.C."

The judge gave Newman and attorneys for the property owner until May 23 to answer the application.

Andrew Clare, a Los Angeles attorney representing the owner, participated in Wednesday's hearing via telephone. He told Karlton that his client will be penalized monetarily if mortgage prepayments are delayed long enough to prevent the May 31 close of escrow on the sales.

The judge told Clare he is free to ask for a hearing before the end of the month, once he determines the scope of potential damage to his client.

The lawsuit was filed by Legal Services of Northern California attorneys Anne Pearson and Mona Tawatao "to stop the imminent loss of 351 units of federally subsidized housing from Sacramento's already scarce stock of affordable housing."

Pearson points out in the application that the property owner's moves come at a time when the rental housing vacancy rate in the Sacramento area is less than 3 percent, the average rent is \$770, and nearly 35,000 families are on a waiting list for federal rental subsidies.

"In such a tight rental market, many low-income families are not



able to afford a roof over their heads, unless they are among the lucky few who reside in subsidized housing," the application says.

The apartments' Denver-based owner, National Housing Partnership, seeks to convert the rental units to market rate with mortgage prepayments and termination of subsidies, paving the way for the sale of the property, the suit says.

The partnership is doing all this "without first providing lawful notice ... to tenants and public entities" and without complying with its legal obligation to first try to sell to a buyer that would keep the units affordable to low-income tenants, it alleges.

The suit claims that HUD has already entered into agreements with the prospective buyer of the properties, U.S. Housing Partners, "which will likely remove affordability, disqualify units from the Section 8 voucher program and block any nonprofit developer from purchasing the property."

Plaintiffs are low-income, disabled residents who face homelessness if the owner's plan succeeds, according to the suit.

In addition to Pounds, the TRO application specifically cites the plight of Rita Janssen, 75, who has lived at San Juan Apartments for 15 years. Because she is assisted by the development's federally subsidized mortgage and project-based rental subsidy, Janssen spends only \$203 of her \$732 monthly income on rent.

"My problem is I've been poor all my life," Janssen said. "And now I've got congestive heart failure. It was my plan not to move out of here till they carry me out feet first. There's just no other place for me."

The suit says that, under the use agreement with HUD, the new owner would be free to set rents for one-bedroom apartments, like the ones occupied by the women in the suit, at 30 percent of 80 percent of the area median income for a family of one. The court papers say that figures out to \$867 a month, which is almost twice as much as rents for comparable units in the private unassisted market.

---

**The Bee's Denny Walsh can be reached at (916) 321-1189 or [dwalsh@sacbee.com](mailto:dwalsh@sacbee.com).**

Problems? Suggestions? [Let us hear from you.](#)