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HOUSING COMMISSION MINUTES

Regular Meeting
May 20, 2002
5:30 pm

Administrative Building Conference Room, Fil
701 Laurel Street, Menlo Park, CA 94025-1100

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used for the agenda,
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minutes.

CALL TO ORDER

Wendy McPherson called the meeting to order at 5:30 p.m. in the
Administrative Building Main Conference Room.

ROLL CALL

Members Present: Wendy McPherson, Chairperson;
Mickie Winkler, Vice-Chairperson;
Steve Bliss; Clarice O'Neal; Elza Keet;
Jane West

Member Absent: Mary Ellen Murphy

Staff Present: Gretchen Hillard, Housing and Redevelopment Manager
Megan Norwood, Management Analyst

A. PUBLIC COMMENTS None.

B. REPORTS AND ANNOUNCEMENTS

1. Staff handed out Commission member binders/handbooks.
2. Gretchen Hillard provided an update on the sale of 3 new BMR units at the Menlo Square development. An Open House was held on Saturday, May 18th in which approximately 100 persons on the BMR Waiting List attended. Another Open House will be held on Wednesday, May 29th from 6:00-7:00 p.m. for persons who were unable to attend on Saturday. Housing Commission Member Elza Keet attended the Open House on Saturday and provided the Commission with a description of the event.
3. Gretchen Hillard announced that Commission Member Mary Ellen Murphy will be submitting her resignation from the Housing Commission as she is moving to Mountain View.

4. Gretchen Hillard reported on the status of Community Working Group's proposal to build an Opportunity Center in Palo Alto for homeless in both Santa Clara and San Mateo Counties.

C. BUSINESS ITEMS

1. Approval of April 3, 2002 Minutes

The April 3, 2002 Minutes were approved as written.
(M/S O'Neal/Keet 6-0)

2. Welcome New Member

All welcomed new member Elza Keet.

3. Pierce Road Study Update

The Commissioners briefly discussed the Pierce Road Study. Gretchen Hillard presented maps that identify 4 housing opportunity sites on Pierce Road. The Pierce Road Study primarily calls for the development of affordable rental housing and includes options for affordable single-family housing development. Possible road closures were also discussed. Gretchen said that the next step will be to prepare a report that identifies existing conditions along Pierce Road as well as possible funding sources for affordable housing development. She said that there is very little Redevelopment Agency funding available for this project as the majority of Agency funds have already been expended or committed.

2. Draft Below Market Rate Housing Program Guidelines

The Commissioners reviewed the draft Below Market Rate Housing Program Guidelines, which were first presented for review at the previous meeting in April. The Commissioners discussed in lieu fees for developments of 5 to 9 housing units in detail. Staff distributed a hand-out that presented three different in-lieu fee scenarios, including a "No Change" scenario. Currently, all developments of 5 or more housing units are charged an In-Lieu Fee for units 1-9. The In-Lieu Fee is equal to 3% of the sales price of each unit. The Commissioners discussed the hand-out and Elza Keet passed around a chart she had created for determining the fees for 5-9 units, based on fairness. Mickie Winkler stated that the BMR Program should always prefer housing over fees. Steve Bliss stated that graduated fees reflect economies of scale. All Members concurred on an alternative approach, they names A-1, which would require a 1% fee of the first 3 units, 2% fee of the next three units and a 3% fee of the final three units.

The Commissioners also discussed the current asset test, which an amount equal to the cost of the BMR unit, except for federally dedicated retirement funds. They decided to keep it as it is, to encourage savings. The Commissioners

agreed to recommend the BMR Guidelines to the City Council with the A-1 alternative for BMR in-lieu fees.

3. Status Report on First-time Homebuyer Second Mortgage PAL Loan Program

Commissioners discussed the fact that no PAL loans had been made in several years and that nearly \$400,000 is available for PAL loans. They observed current high house prices in the City. Staff pointed out the difference between PAL loans and other cities' and the County's loan programs. Most other programs defer any principal payments or interest for the first five years of the term, and then amortize over thirty years, to allow homebuyers to qualify for a larger mortgage. Also none have a house price ceiling, because the borrower's income effectively sets the house price.

Staff also said that developing a marketing plan will be the next step, and reported that a pre-approval process is already in place.

Mickie Winkler stated support for a 30 year amortized loan with 5 year deferred loan at 0% interest. Then the rate would jump to 5%. Wendy McPherson suggest a 5years deferred structure, then 25 year term, amortized for 30 years, to allow smaller payments, and a small balloon. The Commissioners concurred on this loan structure. They decided to set a maximum loan amount of \$75,000 or 15% of the sales price, whichever is less, and to set the maximum house price at Fair Market Value.

Regarding the asset test, Wendy McPherson pointed out that a homebuyer with assets even equivalent to half the house price would not need the PAL loan, because they could make a substantial down payment. The Commissioners decided to change the maximum assets for a PAL loan to 50% of the house price, except for federally approved retirement funds. They requested staff to return with the recommendations for the PAL loan program written up, so they could make a final decision at the next meeting.

D. WRITTEN COMMUNICATIONS/CORRESPONDENCE

1. Monthly Report on Housing Rehabilitation Loan Program for April 2002

All funds in the program are committed. The program plans to fund two loans with Redevelopment Housing funds, and one with County Rental Rehab funds.

2. Written Communications

Belle Haven site may get condos, Almanac, May 15, 2002

Menlo weighs housing's impact on traffic, Almanac, May 15, 2002

E. ADJOURNMENT The meeting was adjourned at 7:15 p.m. by acclamation.

Respectfully submitted,

Gretchen Hillard
Housing and Redevelopment Manager

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