



## HOUSING COMMISSION MINUTES

Regular Meeting  
March 3, 2004  
5:30 pm

Administrative Building Conference Room, First Floor  
701 Laurel Street, Menlo Park, CA 94025-3483

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### CALL TO ORDER

Elza Keet called the meeting to order at 5:30 p.m. in the Administrative Building Housing Conference Room.

### ROLL CALL

#### Housing Commission Members Present:

Elza Keet, Chair; Carol Louchheim, Vice-Chair; Steven Bliss, John Donald;  
Kirsten Keith; Wendy McPherson; Clarice O'Neal

**Housing Commission Member Absent:** - None

**Staff Present:** Gretchen Hillard, Housing and Redevelopment

**A. PUBLIC COMMENT:** Bruce Hamilton, Executive Director of HIP Housing, introduced himself to the Housing Commission.

### B. REPORTS AND ANNOUNCEMENTS

- 1. Report on soundboard to update the City's Mission Statement and to draft a statement that reflects cogent thinking about the roles and responsibilities of our City.** Kirsten Keith reported that she would not be able to attend the rescheduled meeting on March 11. Elza Keet volunteered to attend the meeting.

### C. BUSINESS ITEMS

- 1. Discussion of Acquisition- Rehabilitation Programs for Apartments for Low-Income Tenants with Linda Mandolini, Executive Director, Eden Housing and Arnie Fischman, Property Development Consultant for the Human Investment Project (HIP) Housing**

Gretchen Hillard introduced the speakers. Arnie Fischman, Property Development Consultant, described the work of HIP housing. He explained that HIP stands for Human Investment Project. He said that HIP had developed five apartment complexes with 92 units. The projects ranged from 11 units to 36 units in size. Typically the rents are structured in tiers of affordability, with some units at 30% of Area Median Income (AMI), some at 50% and some at 60%. The operating expenses usually are covered by a 30-year mortgage.

HIP's current project is Redwood Oaks, 330-360 Redwood Avenue in Redwood City. Arnie Fischman distributed information sheets about the financing of this development. To make the project work, HIP looks for "soft" money, in the form of grants, long-term

loans with no payments or residual receipts notes, usually from local jurisdictions. Redwood Oaks will have funding from Redwood City HOME funds, San Mateo County HOME funds, State Department of Disability Services (called MHP funds) and Merritt Capital (through the sale of tax credits). Relocation will cost an estimated \$147,000, mostly for temporary relocation to motel suites while the rental units are being rehabilitated. Some units are vacant, and some tenants have moved out, making it possible to rehabilitate 11 units for disabled tenants without relocation costs. The previous owner had held the property for over ten years, so equity had built for them. Also there will be at least one million dollars for tax credits. Also 36 units is large enough for economies of scale.

Another project that HIP is about to begin is at 11 So. Delaware in San Mateo. This is a more expensive project, \$145,000 per unit. The price is higher because the market is so high. Linda Mandolini said that Eden Housing will pay a maximum of \$85,000 per unit.

Arnie Fischman gave an overview, stating that a purchase rehabilitation program has the advantage that it uses existing housing stock already occupied by low income tenants. Thus it is less intrusive to existing residents, and typically upgrades the local area. However it can be difficult to find opportunities for financing that work. Also the financing of purchase acquisition projects can be as time consuming as new construction projects. Usually purchase acquisition costs somewhat less than new construction too.

Linda Mandolini greeted the Housing Commissioners that she knew from her service on the Housing Commission, and introduced herself to the newer Commissioners. She described the range of Eden Housing's housing developments and distributed booklets showing some recent developments and describing the organization. She observed that this is a slow time for the economy, but a good time to set things up like the San Mateo Housing Endowment and Trust (HEAT), with funding mechanisms that work when development is brisker.

In response to Kirsten Keith's question, Bruce Hamilton said that HEAT funds would be packaged with other resources to fund housing. HEAT's goal is to raise one million dollars to match two million dollars made available by San Mateo County and two million dollars that can become available from the State through Proposition 46 funds. He also stated that the County is working on legislation to allow communities to pool their funds to develop affordable housing, since it is so difficult to raise enough. Several people observed that communities like Portola Valley, Atherton and Hillsborough would probably contribute rather than encourage the housing to be built in their jurisdictions. Linda Mandolini pointed out that Pleasanton considers itself built. It gives money to Livermore and other jurisdictions with the condition that Pleasanton residents are eligible for the resulting housing.

Linda Mandolini described the Sacramento Housing Trust's success. It was set up ten years ago and now has twenty million dollars. She also said it is harder for wealthy communities like those on the peninsula to raise funds because the State skews funds towards lower income areas. She added to the evaluation of advantages of purchase rehabilitation that the City gets apartments with fair rents for low income residents, the units are in good condition, and they are protected from inflation. They have deed restrictions providing 55 years of affordability.

One way that Eden Housing works, is for a City Council to invite Eden to buy a building and rehabilitate it, and landscape around it to upgrade a neighborhood, often adding a playground and a community building. Recently Pleasanton approached Eden Housing to buy a market rate complex and convert it over time to affordable housing. They would

convert 20% immediately as required by most financing. The structures don't need a lot of rehabilitation. They would have to size their mortgage based on rents going down, a novel concept for lenders who are used to rents going up.

Linda Mandolini then said she'd just heard about Derry Lane, with 132 apartments, and suggested that the City use the BMR Fund to buy ten percent more units than the BMR Program required. She said that for sale units are expensive to develop. Mickie Winkler said that she would look into it.

Linda Mandolini then described a 17 unit ownership development on Adams Avenue in Fremont that Eden Housing developed with Habitat for Humanity. The City contributed \$120,000 per unit plus paved the road and undergrounded the utilities, then gave the neighbors new front yards. By contrast, she said that rentals might cost around \$60,000 per unit.

Elza Keet observed that there are 12,000 to 13,000 homes in Menlo Park. She asked, how many should be affordable. Linda Mandolini said that the Housing Element gives the answer. She talked about legislation that is being developed at the State level to deny local jurisdictions transportation funds if they don't meet their affordable housing production goals. Senator Dunn has initiated a bill, and Sunne McPeak, Director of Building, Transportation and Housing, supports it.

Mickie Winkler said that the City may obtain some land for grade separations through eminent domain that could be used to build affordable units. Elza Keet asked why Pierce Road was taken out of the EIR. Someone said they thought it was because of the noise problems. Linda Mandolini said housing can be built in places close to train noise. You can mitigate the noise through construction. She suggested using BMR funds to buy more units at Derry Lane, give them funds to pay for the additional BMR units. If they build at least 20 percent low income units they can qualify for tax exempt bond money. Another proposal in the Housing Element that needs to be implemented is allowing mixed use zoning where only commercial zoning is now in place. This would save at least a year of public review, a major cost to developers.

The Housing Commissioners thanked Arnie Fischman and Linda Mandolini for their presentations and contributions to the Commission.

## **2. BMR Guidelines changes relating to preference for first-time homebuyers on the Waiting List**

Gretchen Hillard opened the discussion by stating that some staff recommend that first-time homebuyers have preference over households who own homes to purchase BMR units because it is so hard to purchase a home in Menlo Park. A survey of recent BMR Waiting List applicants shows that 15% own homes. She circulated a report showing the dispersal of police officers in August 2001. She stated that the preference would make it more difficult for households on the Waiting List who are new in town and own homes elsewhere, and for those who commute long distances to Menlo Park from the homes they own. She knew of two BMR owners who were homeowners when they purchased their BMR units. The Commissioners did not come to a consensus on this proposal, and agreed to table it.

Gretchen Hillard presented the second proposal stating that BMR owners cannot afford to move out of their BMR units, and sometimes face circumstances where they need a larger, smaller or handicap accessible unit. This proposed Guideline would enable BMR homeowners in these circumstances, who are otherwise eligible to purchase a BMR unit

to apply to place their names on the Waiting List. If a homeowner preference had been established the proposal was that they would not be considered homeowners. However since it was not passed, the Guideline will make it clear that they can apply to purchase a BMR unit that is different in a way that will better meet specified household needs. The Commissioners approved recommending this proposal to the City Council by consensus.

### **3. Approval of February 4, 2004 Minutes**

Steve Bliss suggested that "An additional goal is to have first-time homebuyer programs" be substituted for "Also" in C.2. line four. Elza Keet suggested that "zero" be substituted for "aero" in C.2. line seven. The Commissioners voted to approve the Minutes as amended. (M/S McPherson/Donald and Keith, 7-0)

## **D. INFORMATION ITEMS**

### **1. Future items: BMR Agreements for proposed developments and Housing Element**

The Commissioners reviewed the list of programs policy documents and development proposals that they will consider in the next six months.

### **2. Monthly Report on the Housing Rehabilitation Loan Program for January 2004**

The Commissioners reviewed the monthly report.

## **E. ADJOURNMENT** The meeting was adjourned at 7:30 p.m.

Respectfully submitted,

Gretchen Hillard  
Housing and Redevelopment Manager

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