



HOUSING COMMISSION MINUTES

Regular Meeting

July 7, 2004

5:30 pm

City Council Conference Room, First Floor
701 Laurel Street, Menlo Park, CA 94025-3483

CALL TO ORDER

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

ROLL CALL

Housing Commission Members Present:

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

Housing Commission Member Absent: - None

Staff Present: Arlinda Heineck, Community Development Director;
Gretchen Hillard, Housing and Redevelopment

A. PUBLIC COMMENT: Don Brawner stated that there is a consultant who wants to rezone most of the Middlefield office corridor to residential use, and a proposal to develop the corridor with medical office use. The latter is because Stanford is removing many medical office buildings; so many doctors are looking for new office locations. He lives in the Linfield Oaks area, and believes that new medical offices will generate too much traffic. The residential use recommendation on the Middlefield Road corridor is part of the Housing Element recommendations. The recommendation would produce approximately 1800 units of housing at 18.5 units per acres, the maximum allowed density. He opposes this too. He discussed with the Commission their role in the adoption of the Housing Element.

B. REPORTS AND ANNOUNCEMENTS

1. Honoring Wendy McPherson

The Commissioners thanked Wendy McPherson for her long service on the Housing Commission and presented her with a bouquet. They told her that her contributions would be very much missed.

2. "Housing Supply and Affordability: Do Affordable Housing Mandates Work?" by Benjamin Powell, Ph.D. and Edward Stringham, Ph.D.

Elza Keet provided a summary of her analysis and concerns about the contents of the article, "Housing Supply and Affordability: Do Affordable Housing Mandates Work?", especially the article's statement that BMR-type programs add to the cost of market-rate housing. She cited the article's research, which was based on housing development in Irvine. John Donald pointed out that BMR programs have the goal of assisting people who can't buy housing, but ought to be able to do so.

C. BUSINESS ITEMS

1. Commission future meetings schedule

The Commissioners discussed the large number of future agenda items, focusing on the eight items that need to be reviewed in August and September. They compared dates of availability, and as a result, changed the next meeting from Tuesday, July 20 to Tuesday, July 27 to allow greater Commissioner attendance. The following meeting will remain Wednesday, August 4, when they will cover three of the first four items listed for August in a longer than usual meeting. A second August meeting will be held on Wednesday, August 11, when they will cover the remaining August item and two September items. At the September 1 Regular meeting they will cover the remaining three items.

2. Recommendation that BMR Fund provide additional funding for the First-time Homebuyer Loan Program as well as other possible options, including description of reasons for the recommendation

Gretchen Hillard suggested that the Commissioners make a recommendation for at least \$2.8 million, which has already been defined as for a housing project, in the BMR Fund. She suggested that they recommend a use for up to \$3.5 million. There is about \$.2 million more in the fund, which it would be available for unforeseeable uses, such as a fund for loans for current BMR condominium owners who face large assessments for repairs to the common areas of their buildings or to purchase a BMR unit to resell if there are complications in the sale process, as occurred at Menlo Square.

Elza Keet opened the discussion by referring to her email to the Commissioners dated June 4. She said that once the BMR Fund is spent, more funds are not likely to come in at the same level. She would like to increase the amount of the PAL loan. Wendy McPherson said that it may take a substantial increase; it is likely not a solution to helping buyers. Elza Keet said that Scott Coe had said that the deferred loan for five years at 0 percent interest was an important feature of the PAL loan for new buyers. She is concerned that homebuyers take on up to 50 percent of their incomes in debt. Carol Louchheim said that she likes the idea of larger loans but the reality is that the program can't do larger loans at the same time as so many loans. Elza Keet said that she recommends the nine loans and 37 loans in the Memorandum on this item, which includes BMR units at the Hamilton Avenue Park and Housing site. That development is an enormous investment for the City. John Donald agreed.

Carol Louchheim said to look at the second rank options as contingencies. We can have language that we can revisit the second ranked options. John Donald said he supported reserving some PAL funds for people not buying BMR units. Clarice O'Neal said that she'd supported first come, first served at the last meeting and still does, for access to the BMR units at the Hamilton Avenue development. Also it's important to show how the numbers nine and 37 were derived. Elza Keet suggested a look at how many BMR buyers used PAL loans in the past. Kirsten Keith said that it looked like a good idea not to increase the loan amount. Looking at the numbers changed her mind. She also said that the Commission should review this in a year. It was generally agreed that the remaining funds should be for contingencies.

Kirsten Keith said she supported the numbers on page 5 of the Memorandum on the First-time Homebuyer Loan Program as well as other possible options, with 2/3 for BMR units at 37 loans, and 9 for market rate units, and the remainder for the future. Carol Louchheim seconded. Elza Keet proposed an amendment that if the loans do not occur

at the expected rate, the Commission will revisit the program annually to adjust it. John Donald seconded the amendment. The Commissioners supported the motion as amended, unanimously. (M/S Keith/Louchheim with Amendment Keet/Donald, 5-0)

The Commissioners then directed staff to prepare the draft staff report for their review. The Commissioners engaged in a discussion of the content of the draft staff report. They asked staff to determine the rate at which BMR owners in the past had used PAL loans. If it turns out to be a different rate of usage than 2/3, then they would discuss other options, such as the two options that they ranked second, and increasing the amount of PAL loans. They directed that the staff report include the careful, thorough process they'd engaged in, including, studies they had conducted by interviewing specialists at several meetings, then engaging in the option and criteria determination, then option ranking and criteria weighting process, considering increasing the amount of PAL loans, and the idea for a contingency and an annual review.

Kirsten Keith suggested that the report include the first paragraph under overall Considerations on page 2, but not the second. John Donald stated that we should still tell the Council which criteria were important. He summarized, PAL is the best option because it enables the City to assist a large number of people and to create homeownership. In addition to those criteria, the Commission used the following in their evaluation, and list the other criteria considered. Carol Louchheim added that there are a given number on households on the BMR Waiting List and this is a wonderful opportunity to provide them an opportunity to buy houses.

Carol Louchheim addressed looking at increasing the interest from 0% to 3% on the deferred portion of PAL loans. She looked at what income 1%, 2% and 3% would produce. Elza Keet said let's wait, and keep it at 0% now, citing Scott Coe's support for it. It does help make the loans more affordable. The Commissioners decided not to make a recommendation on this idea.

3. Approval of June 2, 2004 Minutes

Elza Keet made the motion to approve the Minutes with two changes recommended by other Commissioners: (1) On page 3, last paragraph, third line, change "weighting" to "ranking" and (2) On page 3, seventh paragraph, after the second sentence, insert a sentence which states, "There was no response to this question." Carol Louchheim seconded. (M/S Keet/Louchheim, Motion carried 5-0.)

4. Recommendation to raise the preference for households already on the BMR Waiting List to a higher priority for BMR housing at the Hamilton Avenue Park and Housing development

Carol Louchheim opened the discussion by stating that she has a deep and abiding concern for the people on the BMR Waiting List. John Donald asked what proportion have been on the Waiting List how long? There was a general agreement that picking out seven groups of people to go ahead of the people already on the Waiting List really hurts the chances of those already on the List. The Commissioners want those years of waiting to count. They don't want too many people to jump over them. Clarice O'Neal made a motion that people on the Waiting List at least two years be given priority. There was no second. John Donald and Kirsten Keith suggested that the Commission wait until they know how many on the Waiting List have waited how long, and asked staff to provide that information.

D. INFORMATION ITEMS

1. **Monthly Report on the Housing Rehabilitation Loan Program for April 2004.**
No report was available.
2. **Review of Loan Advisory Committee Minutes for May 20, 2004.** Kirsten Keith gave the report on the five loans that were approved on May 20, 2004.

E. ADJOURNMENT The meeting was adjourned at 8:15 p.m.

Respectfully submitted,

Gretchen Hillard
Housing and Redevelopment Manager

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