



HOUSING COMMISSION MINUTES

Regular Meeting

July 9, 2008

5:30 p.m.

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

CALL TO ORDER

Chairperson Lasensky called the meeting to order at 5:30 p.m. in the Administrative Building Conference Room.

ROLL CALL

Housing Commission Members Present: Patricia Boyle, Don Brawner, Elizabeth Lasensky (Chair), Carol Louchheim, Anne Moser, Clarice O'Neal (Vice-Chair).

Housing Commission Members Absent: Elza Keet.

Staff Present: Douglas Frederick, Housing Manager; Megan Nee, Management Analyst.

A. PUBLIC COMMENT – None.

B. BUSINESS ITEMS

The Housing Commission passed a resolution (no vote was taken) extending its sincere appreciation to outgoing Commissioner Keet for eight years of service to the community as a Housing Commissioner.

1. BMR Guidelines Issues

Housing Manager Frederick introduced three issues as identified in Management Analyst Nee's memo to the Housing Commission and included in the Commission's meeting agenda packet. The memo states that Housing Manager Frederick and Management Analyst Nee met with City Attorney Bill McClure on June 9th to discuss some of the proposed changes to the BMR Guidelines that were recommended by the Housing Commission at its November and December 2007 meetings. As discussed in the memo, City Attorney McClure expressed concern over three of the proposed changes. Housing Manager Frederick explained that these issues are being put before the Commission for its consideration and direction.

Housing Manager Frederick said the first issue has to do with requiring BMR owners to deposit \$50 per month in escrow accounts for maintenance/upkeep of their units, to be accessed as issues arise, with a maximum \$10,000 escrow amount. Although legal, he said, the City Attorney expressed concern that it would not be practical to administer such a requirement. Commissioner Boyle stated that to her knowledge, there haven't been any deferred maintenance problems or issues. Some of the commissioners wondered how staff and/or the Housing Commission would know

about such maintenance problems or issues. Housing Manager Frederick commented that one BMR unit that was resold had to be fixed up for resale. Management Analyst Nee clarified that the fix up addressed normal wear and tear issues like filling in picture holes and touch-up painting. Housing Manager Frederick noted that a \$100 monthly maintenance cost is included in the purchase price calculation for new BMR units. Commissioner Louchheim asked for clarification on this point and Housing Manager Frederick explained that in estimating BMR buyers' monthly non-mortgage housing costs the City includes \$100 for home repair/maintenance. The estimated total monthly non-mortgage housing expense is then deducted from what BMR buyers can afford to spend on total housing costs each month (calculated as 33% of gross monthly income). The difference (net) equals what BMR buyers can afford to spend each month on home loan principal and interest payments, which is used to calculate how much mortgage the buyers can qualify for and, consequently, the purchase price.

Commissioner Louchheim inquired if the City can deduct the cost of repairs from BMR owners' proceeds upon resale. Housing Manager Frederick responded yes, the City can make necessary repairs and deduct them from the resale prices of BMR units. Management Analyst Nee commented that the City of Palo Alto has a BMR program that is older than Menlo Park's and recently had problems with BMR units in need of extensive rehabilitation upon resale. She said that a few years ago, the City of Palo Alto contracted with Menlo Park's Housing Rehabilitation Finance Specialist, George Starmer, to manage the rehab of some of its BMR units that it was trying to sell. Palo Alto said the units were not marketable without rehab, which was needed to address repair and deferred maintenance issues and to modernize older units. Commissioner Louchheim said there seem to be two issues here: first, current BMR owners who need to make repairs and second, units the City is reselling that need work. Chair Lasensky commented that since Menlo Park's BMR units aren't yet very old, it seems to be an issue of planning for the future. Commissioner Boyle inquired what would happen if there were a hole in the roof of a BMR unit and the owner didn't address the issue and it caused extensive damage. Housing Manager Frederick replied that the City would make the necessary repairs and deduct the expense from the selling owner's proceeds. Chair Lasensky noted it sounds similar to a rental deposit. Commissioner Brawner commented that the government shouldn't be involved in this matter.

The Commission inquired how the deposits would be handled and Housing Manager Frederick said BMR owners could be required to send deposit checks to the City or to open special accounts and report deposit activity. Following some discussion of this, the Commission expressed interest in continuing to recommend this change to the BMR Guidelines. Housing Manager Frederick said the Commission can continue to recommend this change, which will be forwarded with all recommended changes to senior management for further consideration.

Housing Manager Frederick said the second issue is creating a new equity calculation for BMR ownership units that would allow BMR owners to gain more equity in their homes. Rather than using the Consumer Price Index (CPI) – All Urban Consumers to adjust the values of BMR units, which at best results in very modest equity gains, the new equity calculation would set values by using the same calculation currently being used to determine sales prices for new BMR units. Housing Manager Frederick

explained that City Attorney McClure expressed concern that the proposed new equity calculation may change the purpose of the program, which he said is not to build equity. Commissioner Moser asked what other cities do and Housing Manager Frederick responded that most other cities have formulas for calculating equity/resale value that are the same as our current, CPI-based formula. Commissioner Moser then asked about the City of Palo Alto's formula. Management Analyst Nee replied that Menlo Park originally modelled its BMR program on Palo Alto's and the equity calculations are currently the same. Commissioner Louchheim commented that a lot of other cities are starting to only have deed restrictions for the first BMR owner (not subsequent owners).

Management Analyst Nee noted that the City's current formula for calculating values of BMR units results in an approximate one percent increase in value per year of ownership. She suggested that a calculation giving owners more equity could benefit owners who may wish or need to borrow against their equity to make home repairs or send their children to college. Following further discussion, Housing Manager Frederick asked the Commission if any Commissioners are strongly in favor of changing the equity calculation. No members of the Commission indicated being strongly in favor of the change. In conclusion, it was decided that this previously recommended change will not be pursued.

Housing Manager Frederick introduced the third issue, which is increasing the time allowed for resale of BMR units from 90 to 180 days. He said City Attorney McClure is concerned this would make things more difficult for the selling owners and possibly cause them to fall out of escrow should they be attempting to purchase other homes. Housing Manager Frederick said the City Attorney suggested the City will take the maximum time allowed if the timeline is extended. The Commission discussed situations in which an extended timeline could be beneficial, such as needing to repair or rehabilitate units prior to resale, or a buyer's financing falling through. Housing Manager Frederick suggested that, rather than universally extending the timeline to 180 days, staff can put together some wording that extends it for "x" days following unforeseen circumstances like repairs or rehabilitation. Commissioners approved of this idea and it was agreed that staff will draft language to this effect, to be brought back to the Commission at a later date.

2. Housing Element Update and Schedule

Housing Manager Frederick referenced his memo to the Commission and said he attended another County-sponsored information workshop for the Housing Element in San Carlos on June 19th. He said the project has a website that can be accessed to view materials in progress for the collective housing elements and referred to the website url and login information included in his memo. You can also review the consultant's work plan and the State's documentation through the website, he said. He also noted that the City is making progress on the Housing Element's background piece and narrative discussion.

Commissioner Boyle inquired if there will be discussion about possible joint projects between the City of Menlo Park and the County of San Mateo or the City of Redwood City. She said the County has some nice property off of Marsh Road that could make

a good development site. Housing Manager Frederick replied that perhaps we could have a discussion with them on the possibility of Menlo Park providing funding for an affordable housing project in exchange for credit towards meeting our Regional Housing Needs Allocation (RHNA) production requirements. Commissioner Boyle said that would be good because Menlo Park is losing 100 homeless beds (currently housed at the Menlo Park Veterans' Administration). She asked if the City will be required to replace them. Housing Manager Frederick responded the City is not obligated to actually replace the lost units but does have to zone for them. Commissioner Boyle noted the Marsh Road site would be good because it is on a bus line, which is necessary for homeless persons.

Chair Lasensky said she thought last month's Housing Commission minutes indicated that Housing Manager Frederick said the City is not going to use the County's Housing Element consultant and that he will do the work himself. Housing Manager Frederick clarified that what he said was the City will not use the consultant for the background piece but will use them for other things such as impediments to housing development. Commissioner Boyle commented that she really liked the chart entitled Housing Element Update that Housing Manager Frederick provided with his memo. Housing Manager Frederick thanked her and noted we are right on schedule to complete the updated Housing Element according to the timeline. He noted that he will brief the City Council on the matter at a City Council study session on September 16, 2008. In response to the Commission's request, Housing Manager Frederick said he will send the Commissioners a reminder about the study session.

Regarding the Housing Element Update chart, Commissioner Moser said it states the Housing Commission will review the background section at its August 2008 meeting. She noted the Commission will not be meeting in August and inquired when the Commission will review the background section. Housing Manager Frederick responded it will probably be in September. In response to a question by Chair Lasensky, Housing Manager Frederick said that as he understands it, the City has up to one year after submission of the Housing Element to complete the rezoning process. He added he will confirm this tomorrow when he meets with State Housing and Community Development (State HCD) staff. Commissioner Boyle asked if rezoning requires public review and Housing Manager Frederick replied yes. Commissioner Brawner asked if anyone has considered that the public may not like proposals to rezone and Housing Manager Frederick replied yes, this is widely acknowledged.

3. List of Properties for Possible Housing Element Inclusion

Housing Manager Frederick introduced the item by referring to his memo to the Commission and the list of Menlo Park properties that may play a part in the identification of buildable sites for the new Housing Element. As stated in his memo, he noted the list was generated for the previous Housing Element and the status of some of the properties has changed since that effort was concluded. For instance, he said, some of the properties on the list have already been developed, are in the planning process, or were rejected. He said the list will be refined moving forward.

Commissioner Moser asked if anyone has considered something outside-the-box like zoning for granny/secondary units and how Menlo Park might make it easier to build them. Housing Manager Frederick responded yes, it is included on the list. Commissioner Boyle noted that parking restrictions frequently make it difficult to get secondary units approved. Housing Manager Frederick said some clarification is needed regarding state versus local regulations on secondary units. Commissioner Boyle noted that as housing becomes more expensive, multi-generational living may become more common. Housing Manager Frederick commented that the Housing Element update process allows for discussion of outside-the-box ideas. He added he is going to Sacramento tomorrow to talk to the person at State HCD who will be reviewing Menlo Park's updated Housing Element.

Commissioner Boyle commented that the list of properties for possible Housing Element inclusion does not include City-owned properties. Housing Manager Frederick responded that the City does not own much property. Commissioner Boyle suggested the City-owned Little House property. Housing Manager Frederick replied the problem with the Little House site is that it is in a park. He also noted the City-owned Oak Grove Plaza parking lot is on the list. He said the only other site the City owns, which is on the list, is the vacant Hamilton Avenue East site. Commissioner Boyle noted that the City of Foster City recently built senior housing next to its City Hall.

Commissioner Boyle said the Gaylords/Red Cottage site (1706 El Camino) is a disappointment because (residential) condominiums could have been put there. Commissioner Moser said a developer plans to put medical offices near there and at another location nearby as well. She said it is the same developer for both sites. Commissioner Boyle thanked Housing Manager Frederick for the list of sites. Chair Lasensky concluded that staff will bring the Housing Element background piece to the September Housing Commission meeting.

4. Approval of May 7, 2008 Minutes

In reference to the minutes and the May meeting, Commissioner Louchheim asked what happened with the Pine Street BMR unit. Housing Manager Frederick responded the developer conceded and agreed to give the City the unit that was remodeled and identified in the BMR Agreement between the developer and the City.

M/S Boyle/Moser to approve the May 7, 2008 minutes as presented; 6-0-0.

C. REPORTS AND ANNOUNCEMENTS

1. Update on Housing Activity (Report from Staff)

Commissioner Boyle inquired about the Terminal Avenue/Habitat Site clean-up effort. Housing Manager Frederick responded he has not heard anything but it will probably get going this summer.

Housing Manager Frederick reported the City received the loan for transportation improvements. He added that the Derry project did not get their grant. However the Derry project is still on track as far as he knows, he said.

Housing Manager Frederick reported on the Housing Rehabilitation Loan Program. He said the Johnson's project is underway and another smaller project has been funded.

Commissioner Moser said last year the Commission was given a handout entitled Council Priorities and asked if the Commission can get it again for this year. Housing Manager Frederick said yes.

2. Report from the Chair

Chair Lasensky reported she met with the Mayor, Housing Manager Frederick, and Community Development Director Heineck about the Housing Element and creating affordable senior housing. She said they talked about putting affordable senior housing at Little House and discovered there could be several problems with this idea. As Housing Manager Frederick mentioned earlier, she said, the site is a park and current zoning does not allow housing there. In addition, she explained, the City's General Plan identifies it as Open Space so putting housing there would also require an amendment to the General Plan. Then you also have to convince the surrounding neighborhood that it is a good idea, she added. She said they also discussed finding other locations for housing and Peninsula Volunteers (who manages Little House) is apparently very eager to move forward. She concluded that the Housing Commission is interested in this so she would like to put it on the agenda for a future meeting. She also asked about the Senior Housing Needs Assessment report and Housing Manager Frederick responded it is being reviewed by management.

Commissioner Boyle asked Chair Lasensky if the group discussed the El Camino Real/Downtown Visioning project at their meeting. Chair Lasensky responded they did discuss it in relation to the Housing Element and creating affordable senior housing, and found they do overlap in parts. She said they also discussed not letting these projects get too far ahead of each other.

3. Commission Member Reports

Commissioner Moser reported she and Housing Manager Frederick attended a county-wide meeting entitled "Livable Communities for Successful Aging." She identified senior-friendly urban design guidelines, some of which include shade, easy to read signs, shuttle service, timed cross walks, benches, and public restrooms. She said she would like to agendize the subject so the Housing Commission can make a recommendation to the City Council in favor of such urban design guidelines. The Commission discussed whether or not this is an appropriate subject for the Housing Commission and some Commissioners suggested it is a planning issue and recommendations should be made to the Planning Commission. In general, the Commission expressed support for the design guidelines but debated whether the recommendation should come from the Commission as a whole or Commissioner Moser as an individual. Commissioner Moser said she would like to speak on behalf of the Commission because it carries more weight than speaking as an individual. The

Commission asked her what she plans to say to the City Council and Commissioner Moser responded she will say something like she attended the conference and identify the senior-friendly urban design guidelines. Housing Manager Frederick noted that it is not technically a housing issue and Commissioner Bolye suggested it is a design issue and should be shared with the Planning Commission. Chair Lasensky said it would be very appropriate to propose the design guidelines at the next El Camino Real/Downtown Visioning meeting. Commissioner Louchheim said it is not a housing issue and she will not support making a recommendation to the City Council on behalf of the Housing Commission. The Commission concluded its discussion of this item by deciding that Commissioner Moser will make the recommendation as an individual and not on behalf of the Commission. Commissioner Boyle commented it would be good for the City Council to hear from the Commission a lot but the Commission has to speak with one voice.

Commissioner Brawner distributed a hand-out on population densities and density calculations for metropolitan areas, including San Francisco and the Bay Area. He suggested Menlo Park has a population density approaching San Francisco and that further development in the city is not needed. Housing Manager Frederick disputed the assertion that Menlo Park's population density is that great and suggested a much lower figure.

Housing Manager Frederick noted there was a recent amendment to the Brown Act, which requires that if you bring handouts to public meetings like Housing Commission meetings, you must bring copies of the handouts for staff to keep in the meeting files.

D. INFORMATION ITEMS

1. Monthly Report on the Housing Rehabilitation Loan Program for April and May 2008

The Commissioners accepted the report.

2. Commissioner Louchheim asked if anyone has applied for the two Housing Commission vacancies. Housing Manager Frederick responded that one person has reapplied and a person who is not currently a member of the Commission has also applied.

E. ADJOURNMENT: The meeting was adjourned at 7:00 PM.

Respectfully submitted,

Megan Nee
Management Analyst