



## HOUSING COMMISSION MINUTES

Regular Meeting

April 1, 2009

5:30 p.m.

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

---

### CALL TO ORDER

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

### ROLL CALL

**Housing Commission Members Present:** Patricia Boyle (Vice-Chair), Don Brawner, Elizabeth Lasensky, Carol Louchheim (arrived at 5:45 p.m.), Anne Moser (Chair), Clarice O'Neal.

**Housing Commission Members Absent:** Brian Steuer.

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

**A. PUBLIC COMMENT** – Menlo Park resident Mr. C. Josh Abend, of 854 Fremont Street, addressed the Commission. He said he has been on the City's Below Market Rate (BMR) Housing Program waiting list for about fifteen years. He will be 85 years old next month, he said, and has lived and worked in Menlo Park for many years. He noted that he is a decorated World War II veteran and a Stanford Alum. He said he is currently a one-person household and is requesting that he be allowed to apply to purchase the two-bedroom BMR unit now available at 1058 Pine Street. He noted that although his household size does not currently meet the program's required minimum of two persons for a two-bedroom unit, he is in need of a two-bedroom unit because he expects that either a caregiver or his daughter will live with him in the future. He said he is proposing an amendment to the BMR Guidelines that would allow him to apply to purchase a two-bedroom BMR unit. He gave the Commissioners a hand-out detailing his petition to be considered for a two-bedroom BMR unit, specifically at this time 1058 Pine Street. The hand-out also included his proposed language for an amendment to the BMR Guidelines. In summary, he thanked the Commissioners for their time and said he is looking for someone to be an advocate for him in this situation.

Resident Gene Lentz spoke in reference to Agenda Item B1, Neighborhood Stabilization Program. Mr. Lentz commented that he is a real estate professional and does not see how the proposed program increases homeownership opportunities. He said it would reduce the housing stock and could increase price pressure on the remaining homes.

## **B. BUSINESS ITEMS**

### **1. Neighborhood Stabilization Program**

Housing Manager Frederick introduced the item. He said that if the Housing Commission approves the concept of the program this evening, staff could possibly take a proposal to the City Council as early as April 22<sup>nd</sup>.

Vice-Chair Boyle asked Housing Manager Frederick if he knows of anything at the state level that would help people keep their homes. He responded that he doesn't know of anything that would help Menlo Park and/or San Mateo County. He noted the Federal government is offering competitive grant funding to do the sorts of things this program proposes. He said the RFP for this is due out soon and he is monitoring it.

Commissioner Lasensky commented that she thinks the prices at which we're considering selling the rehabilitated homes is too high. She noted that, per Housing Manager Frederick's program proposal, we'd be pricing a small two-bedroom, one-bath home in Belle Haven the same as a three-bedroom, two-bath brand new home west of Highway 101. She expressed concerns regarding the City's ability to market and sell homes priced at the proposed level, and about the ability of low-income households to afford them. Commissioner Louchheim added she thinks the proposed program is terrific but she hears what Commissioner Lasensky is saying. Chair Moser also expressed concern and said she has a problem with such homes in Belle Haven selling for the same as, or more than, newer and potentially larger homes outside of the neighborhood, given the fact that Belle Haven has fewer amenities and a school district that isn't as strong. She wondered if staff might be able to get waivers for some associated fees in order to reduce the price of the homes. She said she would think such a program would be able to request as many waivers as possible. Commissioner O'Neal commented that she lives in Belle Haven and her home, like many there, is sufficiently spacious with two-bedrooms, a garage, and big front and back yards. She noted it is a beautiful neighborhood.

Following a brief discussion, Commissioner Louchheim made the motion. M/S Louchheim/O'Neal to approve the concept of the Neighborhood Stabilization Program as proposed, and to recommend its approval to the City Council; 6-0-0.

### **2. Habitat Acquisition and Rehabilitation Proposal**

Andrew Slaton, Project Manager for Habitat for Humanity Greater San Francisco, was present for this item concerning Habitat's application for City funds for a new program proposing to acquire and rehabilitate foreclosed properties in Belle Haven, which would serve very low and low-income Menlo Park families. Habitat is requesting that the City allocate \$500,000 to its neighborhood revitalization program, Housing Manager Frederick said. This would allow the program to purchase and rehabilitate five Belle Haven properties (\$100,000 per property), he said. Housing Manager Frederick explained that if the first phase of the program is deemed successful, the City will consider giving Habitat an additional \$500,000 to fund a second phase of the program.

The Commission inquired about Habitat's proposal, now in the works for several years, to develop housing on a vacant parcel near Terminal Avenue. Housing Manager Frederick responded that the City has begun a community engagement program in the neighborhood and the Terminal Avenue proposal will be included in the discussions.

Following a discussion, Commissioner Lasensky made the motion. M/S Lasensky/Boyle to recommend the City Council allocate \$500,000 from the City's Below Market Rate Housing Reserve to fund Habitat for Humanity Greater San Francisco's neighborhood revitalization program acquisition and rehabilitation as proposed; 6-0-0.

Following this, Mr. Slaton reported that Habitat has submitted its first offer to purchase a foreclosed home in Belle Haven. He said the offer was accepted by the seller. The property is a single-family home located on Market Street, he said. He noted the home has three bedrooms and one bath. He added that the offer expires on Friday but he is pretty sure it will go through.

Mr. Slaton also addressed the Commission's earlier question about Habitat's Terminal Avenue proposal. He said that Habitat for Humanity Greater San Francisco's Executive Director is at the Belle Haven Homeowners' Association meeting this evening and is talking about Habitat's activity in the neighborhood. He noted that in general, Belle Haven Homeowners' Association members are very excited about Habitat's proposals for the area.

### 3. EARN Group Proposal to Prevent Foreclosures

Mr. David Shapiro with the EARN Group, and Mr. John Liotti, President/CEO of Northern California Urban Development, were present for this item concerning a program Mr. Shapiro has developed to assist households struggling with potential foreclosure. The program, called the Housing Market Stabilization Initiative (HMSI), proposes to help such households renegotiate their mortgages so that they can keep their homes. It would involve working with an owner's lender to negotiate a new mortgage at a reduced balance, with City participation in the form of an equity position in the home. Failing the negotiation process, the program would identify another lender to provide a new mortgage, assuming the current lender would accept a buyout.

Mr. Shapiro told the Commission that he would like to request that the City provide \$1 million toward the HMSI. Housing Manager Frederick noted the funds would probably have to come from the Menlo Park Redevelopment Agency, which means the program could only be used in the redevelopment project area, unless it can be specifically shown that the use of funds outside the project area would benefit the project area.

Mr. Shapiro explained that many Federal foreclosure assistance/prevention initiatives do not benefit California, in part because so many homes here are "under water." That is, because home values here were previously so high, mortgage amounts now frequently exceed (often greatly) current depreciated home values. This effect is also known as negative equity. He said the HMSI is, in his opinion, the only way to re-establish equity in these homes.

Mr. Shapiro explained how the HMSI would work and said there is significant bidding going on for these bank-owned, or R.E.O., properties. Investors are purchasing these homes at a low cost and turning them into rental properties, he said. He explained that investors are not always scrupulous about who they rent to, which can weaken a neighborhood. He said that the HMSI would convert a portion of an owner's mortgage into equity, on which no payments would be due. This would have the effect of reducing the owner's monthly mortgage payment, as well as creating instant equity in the property. The equity piece would in this case be funded and owned by the City of Menlo Park. For instance, Mr. Shapiro explained, assume the City invests \$100,000 as equity in a property. When eventually it sells, the City would receive its \$100,000 investment back plus a percentage of any appreciation the home gained over the interim. Mr. Shapiro also explained that in order for the HMSI to work, the bank/mortgage holder must be willing to take the current, fair market value for the home.

Commissioner Lasensky asked what the City's maximum liability per owner/investment would be. Housing Manager Frederick replied that he is recommending 30%. Chair Moser asked Mr. Shapiro what is in it for him. Mr. Shapiro explained that his company has started similar programs/initiatives in other parts of the country and these have been for-profit endeavours. However, he said, because the situation is so unique here on the Peninsula, they would waive their fees and operate as a not-for-profit. He added he is also interested in making a model of the HMSI on the Peninsula. He noted he is talking to several cities here.

Vice-Chair Boyle inquired if Mr. Shapiro had spoken to banks and what their responses have been. He replied that, in general, the banks have responded favorably because foreclosure is an expensive undertaking and these homes are liabilities for them. In addition, he added, the renegotiated mortgages most likely will be greater than what the foreclosed homes could be sold for in today's market. Mr. Shapiro also explained the difference between this type of investment (pure equity, he said) and the mortgage investments that got our economy in the trouble it is in today.

Chair Moser asked about administering the HMSI. Mr. Shapiro explained that Northern California Urban Development, or NCUD, would administer the program. NCUD is the non-profit arm of an East Palo Alto credit union.

Vice-Chair Boyle commented that someone is absorbing the loss with this program. Mr. Shapiro said yes, the banks. Even so, he said, the HMSI option is cheaper than foreclosure so therefore an attractive option for banks. Commissioner Lasensky said that, should the program be approved, she wants to see certain things spelled out including the maximum investment amount, who conducts the screening, and quarterly or regular progress reports. Mr. Liotti responded that NCUD would conduct the screening and recommend approvals to the City. Vice-Chair Boyle suggested we use the already formed Housing Loan Committee to review and approve such recommendations.

Commissioner Lasensky suggested using and/or creating program guidelines for the HMSI. Housing Manager Frederick said he can put them together. Mr. Liotti said it is important to understand that the banks would not re-qualify these people unless they meet specific requirements. In response to an inquiry from the Commission, Housing

Manager Frederick said the Commission will not get a chance to review the proposed guidelines prior to him taking a recommendation to Council, which he hopes to do later this month.

M/S Boyle/Lasensky to direct staff to prepare guidelines and a staff report for the Housing Market Stabilization Initiative, to be presented to City Council, with the opportunity for Housing Commissioners to provide input on the guidelines prior to presenting them to Council; 6-0-0.

4. Menlo Park Industrial – R&D Area Map

Housing Manager Frederick noted the map in the paper was not quite right. The one included in the agenda packet is correct, he said.

5. Housing Element Update

Housing Manager Frederick provided an update on the Housing Element update. He noted it is on hold somewhat pending progress on the El Camino Real/Downtown Specific Plan. He said he will continue working on it while waiting on the results of the Specific Plan. Commissioner Lasensky said she believes that in September the El Camino Real/Downtown Visioning Committee will bring forward recommendations and then things will start happening. She noted there will be a meeting on the El Camino Real/Downtown Visioning project on April 16<sup>th</sup>.

In response to a comment by Chair Moser, the Commission then discussed the status of talks with Stanford regarding possible development on Stanford-owned property in Menlo Park, particularly along El Camino Real. City Council Member Richard Cline, in attendance at the meeting, noted he has been attending meetings with Stanford. He said there has been discussion about Stanford's obligation to provide housing and how the hospital is exempt from this obligation.

6. BMR One Page Information Sheet

Responding to Housing Manager Frederick's request for Commissioner input, Vice-Chair Boyle said the information sheet would be intended for the general public, to help people understand that the BMR Fund is a separate, restricted fund and not part of the City's General Fund. She emphasized it would not be for new Housing Commissioners but for the general community. Chair Moser suggested that Vice-Chair Boyle and Housing Manager Frederick work together on this. Commissioner Louchheim added it would be nice to again have the one-page ad at the back of the City's Activity Guide, as we used to have. She said we should start doing this again.

7. Approval of March 4, 2009 Minutes

M/S Boyle/Louchheim to approve the March 4, 2009 minutes as amended; 5-0-1, with Chair Moser abstaining.

## **C. REPORTS AND ANNOUNCEMENTS**

### **1. Update on Housing Activity (Report from Staff)**

Housing Manager Frederick reported that the four-bedroom BMR home in the Lane Woods development was sold, representing the second of two BMR units in the development. He also said staff is working on selling the one BMR unit at the Pine Court condominium development, which is a six-unit condominium conversion project.

Housing Manager Frederick announced that the City Clerk is having a commissioner training and commissioners are encouraged to attend. However, the training is primarily for new commissioners, he said.

### **2. Report from the Chair**

Chair Moser did not have a report.

### **3. Commission Member Reports**

Commissioner Lasensky reported on the Downtown Visioning project and distributed a hand-out that is a copy of an email sent by Project Planner Thomas Rogers. The email provides an update on the status of the project.

City Council Member Richard Cline reported on M2 and the Dumbarton Rail Station. He noted there is community concern regarding its impact on traffic and housing.

Vice-Chair Boyle said she recently attended a community engagement training and it was very informative. The importance of engaging the community early-on was emphasized, she said. She also discussed a meeting she had recently attended on the implementation of SB 375.

## **D. INFORMATION ITEMS**

### **1. Monthly Report on the Housing Rehabilitation Loan Program for February 2009**

The Commissioners accepted the report.

## **E. ADJOURNMENT:** The meeting was adjourned at 7:15 PM.

Respectfully submitted,  
Megan Nee  
Management Analyst