



REGULAR MEETING AGENDA

Date: 3/1/2017
Time: 6:30 p.m.
City Hall/Administration Building
City Council Conference Room
701 Laurel St., Menlo Park, CA 94025

A. Call To Order

B. Roll Call

C. Public Comment

Under "Public Comment," the public may address the Commission on any subject not listed on the agenda. Each speaker may address the Commission once under Public Comment for a limit of three minutes. Please clearly state your name and address or political jurisdiction in which you live. The Commission cannot act on items not listed on the agenda and, therefore, the Commission cannot respond to non-agenda issues brought up under Public Comment other than to provide general information.

D. Consent Calendar

- D1. Approve minutes for the Housing Commission meeting of February 01, 2017 ([Attachment](#))

E. Regular Business

- E1. Prioritization of Housing Policy Table ([Staff Report #17-006-HC](#))

F. Informational Items

- F1. Hello Housing Quarterly Update ([Staff Report #17-007-HC](#))
- F2. Housing Commission's 2 Year Work Plan on Tuesday, March 14, 2017 City Council Meeting agenda

G. Commissioner Reports

H. Adjournment

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At every Special Meeting of the Commission, members of the public have the right to directly address the Commission on any item listed on the agenda at a time designated by the Chair, either before or during consideration of the item.

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REGULAR MEETING MINUTES - DRAFT

Date: 2/1/2017
Time: 5:30 p.m.
Administration Building
City Council Conference Room "Fishbowl"
701 Laurel St., Menlo Park, CA 94025

A. Chair Tate called the meeting to order at 5:30 p.m.

B. Roll Call

Present: Michele Tate (Chair), Meg McGraw-Scherer (Vice Chair), Julianna Dodick, Sally Cadigan and Lucy Calder
Absent: None
Staff: Jim Cogan, Housing and Economic Development Manager
Meghan Revolinsky, Management Analyst
Tom Smith, Associate Planner
Deanna Chow, Principal Planner

C. Public Comment

- Pamela Jones, from Menlo Park, asked a clarifying question about Mid-Peninsula Housing, Hello Housing and The City's below market rate housing wait list.

D. Consent Calendar

D1. Approve minutes for the Housing Commission meeting of November 02, 2016

ACTION: Motion by McGraw-Scherer and second by Calder to approve the minutes for the Housing Commission meeting of November 02, 2016. Motion passes; 4-0-1 (Cadigan Abstained).

E. Regular Business

E1. Recommendation of a Revised Below Market Rate Housing Agreement Term Sheet with Menlo Business Park, LLC for 1430 O'Brien Drive

ACTION: Motion by Calder and second by Cadigan to approve recommendation of a Revised Below Market Rate Housing Agreement Term Sheet with Menlo Business Park, LLC for 1430 O'Brien Drive with a preference to have a unit built rather than the in lieu fee. Motion passes; 5-0.

E2. Recommendation of a Below Market Rate Housing Agreement Term Sheet with Stanford University for 2121-2131 Sand Hill Road

- Commission, staff and applicant discussed a clause which read, "or pay the applicable in lieu fee seven years after the date of issuance of a building permit for the construction of the office building at 2131 Sand Hill Road, if after diligent pursuit no feasible options to construct two BMR units as part

of another project are identified.”

ACTION: Motion by Tate and second by McGraw-Scherer to approve recommendation of a Below Market Rate Housing Agreement Term Sheet with Stanford University for 2121-2131 Sand Hill Road and in two years the applicant come back to the Housing Commission to give a status update. Motion passes; 5-0.

E3. 2016 Annual Report on the Status and Progress in Implementing the City’s Housing Element

- Deanna Chow gave verbal report on 2016 Annual Report on the Status and Progress in Implementing the City’s Housing Element
- Commission and Chow discussed 3 items that were identified as priorities during the January 27th City Council goal-setting session.
- The Commission offered suggestions for clarifications and expressed a preference regarding reducing the minimum lot size of single-family properties eligible for secondary dwelling units.

E4. Revision to 2017 Housing Commission Regular Meeting Schedule

- Pam Jones, from Menlo Park, suggested the committee not feel obligated to keep the current meeting schedule and find a time that works for them. “Don’t do things the same way just because that is the way it has been done.”

ACTION: Motion by Tate and second by Cadigan to have the Housing Commission meet the first Wednesday of every month, in 2017, at 6:30 p.m. and cancel the July meeting. Motion passes; 5-0.

E5. Approval of Proposed 2017-2019 Housing Commission 2 Year Work Plan

- Jim Cogan gave an overview of the Housing Commission scope of work for 2017, including the 2 year work plan and direction from the City Council’s prioritize housing program policies
- Leora from HLC gave an overview of policies that other cities have implemented. The list includes staff and city costs and other cities best practices.
- Commission discussed and made adjustments to the 2 year work plan
- Per the commission’s request Cogan review Attachment B, the 15 housing program policies the City Council referred to Housing Commission to prioritize (Prioritization to happened during March 1, 2017 meeting)

ACTION: Motion by Calder and second by McGraw-Scherer to approve the 2017-2019 Housing Commission 2 Year Work Plan with identified modifications. Motion passes; 5-0.

F. Informational Items

F1. 2016 Commission Attendance Report and Board and Commission Policy Revisions from Pam Aguilar, City Clerk

- Commission reviewed the report

F2. Oral Report on January 27th City Council Goal Setting Meeting by Jim Cogan

- Jim Cogan reviewed City Council's Friday, January 27, 2017 Goal Setting Study Session

G. Commissioner Reports

- None

H. Adjournment

Chair Tate adjourned the meeting at 8:19 p.m.



STAFF REPORT

Housing Commission

Meeting Date:

3/1/2017

Staff Report Number:

17-006-HC

Regular Business:

Prioritization of Housing Policy Table

Recommendation

Staff recommends the Housing Commission provide recommendations for prioritization of the housing policy initiatives referred to the Commission by the City Council.

Policy Issues

This action is consistent with direction of the City Council at the January 10th City Council Meeting and the Below Market Rate Housing Program.

Background

On January 10th, the City Council held a study session on addressing residential displacement in Menlo Park. The study session included Commissioners Tate and Dodick as well as a panel of four housing experts. Staff presented 10 policies that have been commonly used or considered in other cities. The City Council referred 8 of the policies along with 7 others, introduced by the expert panel, to the Housing Commission for prioritization. The Council provided guidance for the scope of some of the initiatives. The policies and guidance are summarized in Attachment A.

Analysis

Staff previously presented this table to the Housing Commission at the February 1st meeting as an attachment for reference in the 2-year work plan discussion. To aid the Commission in prioritizing the items in Attachment A staff has added a column where the Housing Commission can decide on the prioritization of items in a 1-3 order with 1 being the highest priority. Policy initiatives which the Commission ranks as 1 should be items that the Commission wishes the Council to direct staff to begin work within the current fiscal year, however, it is likely that additional resources may be necessary to complete them. The Commission may feel it necessary to request additional research for prioritizing items within the table. Staff will utilize that feedback to guide research efforts and return to the Commission with additional information to the extent it is available.

Impact on City Resources

Staff does not anticipate the need for additional resources as a result of this action. However, it is likely that completion of the policy initiatives will require additional resources. Staff will present recommendations for additional resources to the City Council through the FY 2017-18 budget process.

Environmental Review

This action is not a project under CEQA.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Housing Policy Table

Report prepared by:

Jim Cogan

Housing and Economic Development Manager

ATTACHMENT A

#	Policy	Benefit	Resources Needed	Estimated Time to Completion	Unit Type	Action	Priority 1-3
1	Reduced Parking Requirements for Affordable projects	Reduces the cost of development	This action could be addressed as part of the biennial Specific Plan review in 2017	12-18 months	All but most likely multi-family units of 4 or more	Referred to HC for rec. on prioritization Council gave direction that this should be for downtown only and properties within close proximity to transit.	
2	Promote Home Sharing Programs	Makes more efficient use of existing housing stock	The City would need to work with an organization that has this kind of program.	6-12 months	All, but primarily aimed at underutilized single-family homes	Referred to HC for rec. on prioritization Council referenced to HIP Housing and HEART programs.	
3	Amend BMR guidelines to allow BMR home owners to sublet rooms to BMR renters	Makes more efficient use of existing housing stock and provides a revenue source for BMR property owners and renters	This action could be incorporated into the planned 2017 BMR guideline revisions	6-12 months	All BMR units	Referred to HC for rec. on prioritization	
4	Amend BMR Guideline List Eligibility to Allow Displaced Residents to Remain on the List	This action would allow displaced residents to maintain their position on the City's BMR list for up to 3 years	This action can likely be addressed within current resources	2 months	All BMR Units	Referred to HC for rec. on prioritization	
5	Preservation of Market Affordable Units	Allows the City to leverage existing BMR funds to assist affordable housing providers to purchase market properties and restrict tenancy to renters who qualify for affordable housing	This can be done now and has been through the City's partnership with HIP Housing as an example. It may require a clarification of how the BMR guidelines have been administered.	0-6 months	All	Referred to HC for rec. on prioritization	
6	Mandatory Non-binding Mediation	Provides renters and landlords the opportunity to address disputes prior to displacement	Contract Mediation Services and additional Staffing for administration and enforcement	2 months	All	Referred to HC for rec. on prioritization Council gave direction that this would focus	

						on disputes about rent increase only and that there be an income qualification.	
7	Rental Relocation Assistance	Renters are provided with assistance in seeking housing and it creates a financial disincentive to landlords from displacing residents	Additional Staffing for administration and enforcement	3-6 months	Multi-family units of 4 or more with exemptions	Referred to HC for rec. on prioritization Council gave direction that this should be limited to the sale of rental property.	
8	Displacement Fund	Provides assistance to residents facing displacement	Linkage Fee Nexus Study	12 months	Any	Referred to HC for rec. on prioritization City Attorney reiterated that current BMR funds cannot be used for this purpose.	
9	Home for All Resolution	Shows the City's commitment to Housing	Can be accommodated with current staffing	0-6 months		Bring back to Council	
10	Review and draft policy on Air BnB	This is related to item 3, but would be for all subletting in the City. There are resources becoming available through 21 Elements and other Cities	Prioritization of staff time	6-12 months	All	Referred to HC for rec. on prioritization Council gave this a lower priority than other items.	
11	Anti-retaliation Ord	This is a reiteration of State law and could be combined with an item in the HE implementation to adopt an ordinance prohibiting discrimination	Could be drafted and brought to Council with current staffing, but additional staffing would be necessary for enforcement.	6-12 months	All	Referred to HC for rec. on prioritization	
12	Rental Housing Best Practices	This provides guidance to landlords and sets up a certification for compliance with operational standards. It is a voluntary program.	This will require reprioritization of staffing resources and likely require additional staffing to administer.	12-24 months	All	Referred to HC for rec. on prioritization	
13	Rental Housing Rehab loans/grants	Provides funding to property owners for improvements. Landlords agree to fix rents for a period of time in return. It is often tied to fire/seismic upgrades.	This will require additional staffing to administer, an ongoing funding source and is similar to homeowner loan programs that the City has found problematic.	12-24 months	TBD	Referred to HC for rec. on prioritization	

14	First Hire Program	This is a local hire program that may require businesses to hire a portion of their workforce from the local community. This is more an Economic Development strategy than a housing strategy and may result in employees moving into a community in order for the business to comply.	This will require reprioritization of staffing resources and likely require additional staffing to administer.	18-36 months	N/A	Referred to HC for rec. on prioritization	
15	Secondary Dwelling Units	This will come back to Council on 01/24 th for a Discussion of recent state legislation.	Staff is considering additional outreach for the current program. Recommendations for additional incentives will require reprioritization of staffing and possible additional staffing.	6-24 months depending on direction	Single Family detached homes	Council deferred discussion until 01/24.	



STAFF REPORT

Housing Commission

Meeting Date:

3/1/2017

Staff Report Number:

17-007-HC

Informational Item:

Hello Housing Background Quarterly Activity Report

Recommendation

This is an informational item and no action is required.

Policy Issues

Hello Housing administers aspects of Menlo Park's BMR Housing Program and this report is consistent with the City's policies and efforts to improve housing affordability in Menlo Park.

Background

Menlo Park's Below Market Rate (BMR) Program was created in 1988 to provide affordable homeownership and rental opportunities for low and moderate income families living or working in Menlo Park. The City currently has 65 owner-occupied BMR units, with three more coming on line soon. They also have 4 rental, city managed, BMR Units and more units available in the Gateway Apartments, Willow Court & Willow Terrace and Crane Place & Partridge Place. There will be more rental units as St Anton and Sequoia Belle Haven finish construction.

In the late 1980s Menlo Park's PAL and Rehab Loan Programs were created. The PAL program was a second mortgage loan designed to help home buyers qualify for a first mortgage loan and was only offered to first time home buyers. PAL loans were funded from the BMR fund and its terms were 30 years at 5%. The Rehab Loan program was funded by the Redevelopment Agency (RDA) and provided home improvement and emergency repair funds to income-qualified home owners in the Belle Haven neighborhood. The RDA was dissolved in early 2012.

San Mateo County also had a loan program called the Community Development Block Grant Loan Program (CDBG). It worked similar to the RDA loans, but was funded by the county and managed by the City of Menlo Park.

Menlo Park's BMR Housing and Loan Programs were managed by its own Housing Division, until 2012 when it was dissolved with the RDA. After the dissolution, Menlo Park contracted with Palo Alto Housing Corporation (PAHC) for BMR program administration and with Hello Housing for PAL Loan management. In June 2014 the City did not renew its contract with PAHC and contracted with Hello Housing to manage BMR and PAL Loan servicing, while city staff managed the RDA and CDBG loans.

In May 2015 the City amended Hello Housing's contract so they managed the Ownership-BMR program, the 4 city-managed BMR Rentals and all three Loan Programs (PAL, RDA, & CDBG).

Analysis

Attachment A is the first quarterly report from Hello Housing for 2017. Hello Housing provided a similar report to the Housing Commission last year, but staff feels that quarterly reports are appropriate given the additional public interest in affordable housing. While this is an informational item and does not require Commission action, feedback from the Commission on how to improve future reports would be helpful. Representatives from Hello Housing will be available to answer any questions.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Hello Housing 2017 Q1 Report

Report prepared by:
Jim Cogan, Housing and Economic Development Manager

MEMORANDUM

Date: February 15, 2017

To: Jim Cogan, Housing and Economic Development Manager for the City of Menlo Park

From: Hello Housing, Administrator of Menlo Park's Below Market Rate (BMR) Housing Program

Subject: Quarterly BMR Housing Program Report

The City of Menlo Park is currently contracted with Hello Housing, a nonprofit housing organization, to administer its Below-Market Rate (BMR) Housing Program along with providing below market rate loan servicing of the City's Purchase Assistance Loans, CDBG Loans, Rehab Loans and Emergency Rehab Loans. This Quarterly Report contains an update on Hello Housing's activities from 2016 to the present.

BMR Home Resale and Refinance Activity

The City of Menlo Park currently has 65 owner-occupied BMR units and 4 tenant-occupied BMR rental units.

During 2016, Hello Housing assisted two households to sell their BMR homes. These homes were sold to income eligible households who have resided on the Menlo Park BMR Ownership Waiting List. Hello Housing also worked with three BMR homeowners to successfully refinance their BMR homes in accordance with the Below Market Rate Guidelines.

The resale of a BMR home is a time-sensitive process that requires close coordination between Hello Housing, the City, the seller, the City's real estate agent, the BMR homeownership waiting list, and the program's preferred lenders. Once a BMR homeowner submits a Notice of Intent to Sell, the City has 90-180 days to identify an eligible purchaser and for the resale transaction to close escrow. If this timeline is not met, the BMR Deed Restrictions can be removed from the property.

For the two resales that occurred in 2016, Hello Housing ensured that home inspections, the review of capital improvements and City notices to the homeowner were completed within specific timeframes outlined in the BMR Deed Restrictions. Hello Housing created a marketing flyer for each resale, marketed the homes to the BMR homeownership waiting list, conducted two application workshops with the waiting list members, reviewed applications to determine applicant program eligibility, and identified an eligible primary buyer and backup buyer to purchase the homes based on waiting list ranking position. Once the buyers were identified, Hello Housing coordinated closely with their lenders to ensure that their loan products met program requirements. Hello then drafted documents that would be signed by the City and the

buyers such as new BMR Deed Restrictions and a Request for Copy of Notice of Default. Hello coordinated the signature of these documents by the City and routing of documents to the title company for the buyers' signatures.

For the three refinances that occurred in 2016, Hello Housing coordinated with BMR homeowners, their refinancing lenders, title companies and City staff in order to ensure that each owner's new 1st mortgage was in compliance with the BMR program requirements. It is critical that refinances be reviewed prior to approval to ensure that homeowners are not borrowing an amount in excess of their maximum resale price. Hello drafted documents that would be signed by the City and the buyers such as a Subordination Agreement and a Request for Copy of Notice of Default. Hello coordinated the signature of these documents by the City and routing of documents to the title company for the owners' signatures.

In 2016, Hello Housing also responds to homeowners who may be seeking to refinance their BMR homes due to financial hardships that they are facing or to secure available equity for use in their personal lives. These requests may not result in a financial transaction but require feasibility calculations to be completed by staff. Hello Housing also tracks these requests in order to monitor potential future activity.

<i>BMR Home Resales</i>	<i>BMR Home Refinances</i>	<i>BMR Home Value Calculation Requests</i>
2	3	8

City Owned BMR Rental Housing

In 2014, the Menlo Park City Council authorized the purchase of two below-market-rate duplexes located at 1175 and 1177 Willow Road utilizing funds from the City's below market rate housing fund. Following the purchase, Hello Housing performed initial rehabilitation of health and safety conditions and conducted the initial income eligibility review of the two existing tenants and the income qualification of two new households for the vacant units. Every year, Hello Housing conducts the annual income recertification of the households living in these 4-units. As of 2016, all households continue to be in compliance with the program and have met their annual recertification obligations. There has not been any turnover in these four units since the City's purchase.

Below Market Rate Waiting List Management

Hello Housing manages the City's Waiting List for the BMR Housing Program. This includes accepting and processing applications from interested households and doing an annual mailing campaign to recertify current waiting list members. Households may apply to be on the waiting list to rent a BMR unit or to purchase a BMR unit, or both. There are currently 225 active members on the Menlo Park Waiting List. Of this number 23 are interested only in

homeownership opportunities, 79 are interested only in rental opportunities and 123 are interested in both homeownership and rental opportunities. In 2016, Hello Housing processed 82 BMR waiting list applications and has processed 10 so far in 2017.

Below Market Rate Preservation Projects

A key BMR preservation and protection activity is currently underway by Hello Housing to ensure that BMR homeowners have not over-encumbered their BMR homes with unapproved loans. Under this activity, Hello Housing will conduct a forensic review of all loan activity across the portfolio to determine if any Home Equity Loans or any other unapproved loan transactions have taken place across the portfolio that would be in violation of the BMR program guidelines. This activity will take place during the first and second quarter of 2017 and results of this review shall be shared with City staff.

Hello Housing also monitors Notices of Default that are recorded on BMR properties with the goal of preventing the BMR home from being lost from the affordable housing portfolio through foreclosure. In late 2016, Hello Housing learned of a HOA Assessment Lien filed against a homeowner for failure to pay HOA monthly assessment fees. Upon further review, it became clear that the homeowner was delinquent on their mortgage payments and at risk of losing the BMR home to foreclosure. Hello Housing alerted the City, connected with the homeowner, the HOA and the lender(s) to identify the degree of default as well as the potential remedies. Hello Housing prepared a cost-benefit analysis for the resale of the BMR home for review by the homeowner and the City. During this process, the BMR homeowner was able to secure a loan from family and cured all outstanding delinquencies.

Owner Occupancy Monitoring

Hello Housing conducts an annual mailing campaign each year to request self-certification of owner occupancy for all BMR homeowners as well as Purchase Assistance Loan Borrowers. Both programs require owner occupancy and restrict owners from renting out their homes. Up to three rounds of letters are sent to each homeowner to request documentation verifying owner occupancy. In 2016, Hello Housing presented a report of the results to City staff, highlighting the names and addresses of owners who did not comply with the request. One owner was identified who had not responded to the request for two years in a row. Hello Housing coordinated with a Private Investigator to obtain evidence of whether the owner was residing in the BMR home or renting it out to tenants. The investigator made contact with the owner, who was verified to be residing in the BMR home.

Hello Housing is preparing to conduct the annual owner occupancy monitoring beginning in March 2017 and concluding in May 2017. Results of the annual monitoring activity will be shared with City staff upon completion.

Loan Servicing

In addition to administering the City's BMR Housing Program, Hello Housing provides loan servicing of the City's Purchase Assistance Loans, CDBG Loans, Rehab Loans and Emergency Rehab Loans. Below is a general summary of loans serviced under Hello Housing's contract.

Total funds remitted back to the City through loan servicing in 2016: **\$195,730.00**

BMR Loan	Total Loans under Hello's Contract	Total Loans Paid Off	Currently Serviced
Purchase Assistance Loans	39	15	24
CDBG Loans	23	7	16
REHAB Loans	9	3	6
ERL Loans	11	5	6
Total	82	30	52

BMR Rental Opportunities

Sequoia Belle Haven – Midpen Housing Senior Community (86 – one bedroom units & 3 – two bedroom units)

In November of 2016, Hello Housing coordinated with MidPen Housing Corporation to begin the marketing and outreach for Sequoia Belle Haven's Affordable Senior Housing development located at 1221 Willow Road. The open enrollment period closed as of January 17, 2017. Hello Housing in conjunction with MidPen Housing worked on a process to ensure that the City's active BMR Rental Interest List members received the information for how to apply for the opportunity.

Anton Menlo – 3639 Haven Avenue (22 Very Low Income Units, 15 Low Income Units)

Hello Housing is currently working with the City and Alliance Residential, who is managing the marketing and lease-up activities of the BMR units at Anton Menlo. Hello Housing is anticipating the first round of marketing information from Alliance Residential to share with the City's BMR Rental Interest List in the coming weeks. At this time, Hello Housing is engaged in ongoing discussions taking place with the City and Alliance Residential to strengthen the outreach process, income eligibility review certification as well as communication to interested community members about timing and unit availability.

Other BMR Program Activities

Hello Housing acts as a resource to all current BMR homeowners and borrowers to field questions that may come up around compliance with program requirements. The BMR Deed Restrictions and Program Guidelines contain policies on several aspects of owning a BMR home that each homeowner agreed to follow. Hello Housing works with homeowners to provide clarity on these policies when questions come up.

In 2016, a homeowner contacted Hello Housing for clarification on the City's policy for adding new co-owners to the title of their home. Hello Housing let the homeowner know what is considered a Permitted Transfer under the Deed Restrictions, explained the process for requesting City approval, and clarified how a transfer of title could affect the duration of the restrictions on the home.