



REGULAR MEETING AGENDA

Date: 3/14/2018

Time: 6:30 p.m.

**Arrillaga Family Recreation Center – Cypress Room
700 Alma 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. Regular Business

D1. Approve minutes for the Housing Commission meeting of February 14, 2018 ([Attachment](#))

D2. Hello Housing Quarterly Activity Report ([Staff Report #18-003-HC](#))

E. Study Session

E1. Discuss 2018 Notice of Funding Availability preferences

E2. Discuss Nexus Fee Study recommendations from subcommittee

F. Reports and Announcements

F1. Subcommittee reports (10 minutes):

- Below Market Rate Guidelines
- Housing Policy Committee

F2. Commissioner reports

F3. Staff updates and announcements

G. 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: 2/14/2018

Time: 6:30 p.m.

**Arrillaga Family Recreation Center – Cypress Room
700 Alma St., Menlo Park, CA 94025**

A. Chair Tate called the meeting to order at 6:34 p.m.

B. Roll Call

Present: Tate, McGraw-Scherer, Dodick, Merriman, Grove and Cadigan

Absent: Kennedy

Staff: Jim Cogan, Housing and Economic Development Manager
Meghan Revolinsky, Management Analyst II

C. Public Comment

Karla Sandoval, resident, spoke about her landlord refusing to offer her a 12 month lease even though she meets all of the qualifications.

D. Regular Business

D1. Approve minutes for the Housing Commission meeting of December 13, 2017

ACTION: Motion and second (Grove/ McGraw-Scherer) to approve the December 13, 2017, Housing Commission meeting minutes, passed (6-0-1; Kennedy absent).

D2. Approve minutes for the Housing Commission meeting of January 10, 2018

ACTION: Motion and second (Grove/ McGraw-Scherer) to approve the January 10, 2018, Housing Commission meeting minutes, passed (6-0-1; Kennedy absent).

D3. 2017 Annual Progress Report on the Status and Progress in Implementing the City's Housing Element (Staff Report #18-002-HC)

Principal Planner Deanna Chow and Assistant Planner Michele Morris provided an overview of the 2017 Housing Element Report.

ACTION: Motion and second (Tate/Grove) to recommend that the City Council accept the 2017 City's Housing Element Report and transmit it to the California Department of Housing and Community Development, passed (6-0-1; Kennedy absent).

E. Reports and Announcements

E1. Subcommittee reports (10 minutes)

Notice of Funds Available subcommittee members McGraw-Scherer and Cadigan reported they met

with staff and are drafting a Notice of Funds Available for 2018. They asked staff to agendize discussing this topic at the next Housing Commission meeting.

Nexus subcommittee members Merriman and Grove reported they have developed fee recommendations. Details and recommendations to be discussed further at the next Housing Commission Meeting.

BMR Guidelines subcommittee members Kennedy, Dodick and Grove reported they met with staff, the City Attorney and Hello Housing to give recommendations on changes that should be made to the BMR guidelines. The City Attorney will work on a draft ordinance for the Housing Commission's review.

Housing Policy subcommittee members Merriman, Kennedy and Tate gave no update.

E2. Oral report on City Council's Goal Study Session

Staff Cogan reported on the City Council Goal Study Session and reviewed the top six priorities and the housing implications within those priorities.

E3. Oral report on the February 5, 2018 Planning Commission meeting

Staff Cogan reported on the Planning Commission's review and action of the BMR Guidelines and the City Council on March 13 or 20, 2018.

E4. Oral report on the January 17, 2018 Main Library Siting meeting

Tate and McGraw-Scherer reported on the Siting Meeting and noted the negativity about housing being included in the project.

E5. Commissioner reports

Tate reported on the <https://soup.is/> project and encouraged everyone to look into it.

Grove reported Home for All is hosting a meeting on March 22, 2018 in Belmont on "How To Talk about Housing So People Will Listen, Think, and Act."

E6. Staff updates and announcements

Staff Revolinsky and Cogan reported on discussions with HIP Housing to address one of the top priorities in the Enhanced Housing Program Policy Table, "Promote Home Sharing Programs."

H. Adjournment

Chair Tate adjourned the meeting at 8:53 p.m.



STAFF REPORT

Housing Commission

Meeting Date: 3/21/2018
Staff Report Number: 18-003-HC

Informational Item: Hello Housing 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 four rental, city managed, BMR Units and more units available in the Gateway Apartments, Willow Court & Willow Terrace, Crane Place & Partridge Place, Anton Menlo and Sequoia Belle Haven.

In the late 1980's, Menlo Park's Purchase Assistance Loans (PAL) and Emergency Rehab Loan (ERL) 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 ERL program was funded by the Redevelopment Agency (RDA) and provided home improvement and emergency repair funds to income-qualified homeowners in the Belle Haven neighborhood. The RDA was dissolved in early 2012.

San Mateo County also had two loan programs called the Community Development Block Grant (CDBG) and the Rehab Loan Program. They worked similar to RDA's ERL loan, but was funded by the county and managed and administered 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 four city-managed BMR Rentals and all four loan programs (PAL, ERL, RDA, & CDBG).

Analysis

Attachment A is the first quarterly report from Hello Housing for 2018. Hello Housing provides a quarterly report to the Housing Commission in March, June September and December. 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 2018 Q1 Report

Report prepared by:

Jim Cogan, Housing and Economic Development Manager

Meghan Revolinsky, Management Analyst II

MEMORANDUM

Date: February 28, 2018

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 – Q1 2018

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 loan servicing of the City's below market rate loans, including Purchase Assistance Loans, CDBG Loans, Rehab Loans and Emergency Rehab Loans. This Quarterly Report contains an update on Hello Housing's activities during the first quarter of 2018 (Q1).

BMR Home Resale and Refinance Activity

<i>BMR Home Re-sales</i>	<i>BMR Home Refinances or HELOCs</i>	<i>BMR Home Value Calculation Requests</i>
<i>0</i>	<i>0</i>	<i>2</i>

During Q1, there were no re-sales or refinances that took place within the BMR portfolio. Two homeowners requested their BMR home value calculations to help them decide whether to refinance their mortgages. So far, neither of these homeowners has moved forward with requesting approval of a refinance.

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 purchase a BMR unit or may apply to be on the interest list to rent a BMR unit, or both.

During Q1, so far Hello Housing has processed 15 new BMR waiting list applications, 6 of which were eligible to be added to the list.

The number of eligible households currently on the Waiting List is as follows:

Program	# of Participants
BMR Homeownership Waiting List Only	22
BMR Rental Interest List Only	110
BMR Homeownership Waiting List + BMR Rental Interest List	142
Total	274

In addition, in March Hello Housing will start the annual Waiting List Update process, which consists of up to three rounds of communication to participants throughout two months, requesting that each participant submit a new application with their updated household information. Below is a summary of the three rounds of outreach to waiting list members that will take place in March and April:

1st Round of Outreach: A personalized letter with an updated application is sent out to each member along with a notification email and a date by which to respond.

2nd Round of Outreach: After three weeks, a follow-up email along with a personal phone call is made to each non-responding member.

3rd Round of Outreach: A “Final Notice” letter is sent along with a corresponding email to each non-responder. Additionally, Hello Housing contacts each non-responder by phone.

Final Status Update: Any non-responders or ineligible households are removed from the waiting list and the remaining members’ positions are updated accordingly. A final letter is sent to each member informing them of their current status and position, if applicable (ranking positions only apply to the homeownership waiting list, not the rental interest list).

Please Note: at this time, households who were on the waiting list but report that they no longer live or work in Menlo Park due to displacement are not being removed from the waiting list until further instruction is provided from the City. Hello Housing is maintaining records of households who have reported having been displaced in order to follow up for supporting documentation once a policy is in place to address this.

Below Market Rate Preservation Projects

At staff’s request, a key BMR preservation and protection activity has been underway by Hello Housing to ensure that BMR homeowners have not over-encumbered their BMR homes with

unapproved loans. Under this activity, Hello Housing completed 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. 12 homeowners were identified as being at risk of over-encumbrance. Hello Housing ordered preliminary title reports for these properties and completed an in-depth review of each report, also performing a financial analysis to estimate the amount of over-encumbrance for each home based on their current maximum BMR resale value.

Through this process, five homeowners were identified who appeared to owe more debt against their BMR homes than their maximum BMR resale value. In addition, three homeowners were identified who took out refinance loans that were not approved by the City, but were not in excess of their maximum BMR resale value. Hello Housing subsequently mailed letters to each of these delinquent homeowners informing them of next steps to be taken in order to bring them back into compliance. All eight of these homeowners were responsive to Hello Housing's outreach. Below is a summary of their current statuses:

- 3 homeowners are over-encumbered due to having Home Equity Lines of Credit, unapproved first mortgage financing, and/or other debt against their property such as tax liens which in total exceed their maximum BMR home value. They have each agreed not to draw any additional funds from their HELOCs and will be providing updated loan statements to Hello Housing each year along with their owner occupancy monitoring.
- 1 homeowner is not over-encumbered but has an open HELOC. They have agreed not to draw any additional funds from their HELOC and will be providing updated loan statements to Hello Housing each year along with their owner occupancy monitoring.
- 3 homeowners are not over-encumbered and do not have any subordinate financing. They have agreed to engage with Hello Housing for any potential future financing transactions and Hello Housing will monitor their properties each year.
- 1 homeowner is still providing additional documentation to Hello Housing to confirm their status but appears not to be over-encumbered. They do have an open HELOC, which will be addressed.

Additionally, one homeowner was identified who had a delinquent property tax payment from 2012-2013 that resulted in a property tax lien of nearly \$17,000. Hello Housing sent the homeowner a letter, alerting her to the fact that in California, the County tax collector is able to sell your home in order to satisfy the defaulted property taxes after a 5-year waiting period and asking her to contact us as soon as possible. The homeowner immediately contacted us to inform us that she is currently in a payment plan with the County and has already paid about half of the amount due. She plans to repay the remaining amount this year, and has provided evidence of her payment plan to Hello Housing. Hello Housing will continue to follow up with the homeowner to verify that this is resolved.

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. No Notices of Default have been received during Q1.

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 the fourth quarter* of 2017:

\$30,459.73 *complete data is not yet available for Q1.

BMR Loan	Total Loan's Serviced	Current Active	Current Deferred
Purchase Assistance Loans	23	23	0
CDBG Loans	9	6	3
REHAB Loans	4	4	0
ERL Loans	6	6	0
Total	42	39	3

Since taking on the loan servicing contract in 2013, Hello Housing has developed a process of engaging with delinquent borrowers in order to assist them to begin making payments on their City loans. As of this report, 43 loans have been paid off in full (totaling roughly \$1.9M in principal and accrued interest) and 39 delinquent borrowers have returned to compliance on their loan payment commitments. As of this report, only two borrowers are currently under review due to delinquency and both are working with Hello Housing and the City to resolve the issues.

BMR Homeownership Opportunities

1274 Garden Street, East Palo Alto

A moderate-income buyer purchased 1274 Garden Street, East Palo Alto in mid-December 2017. This is a BMR home that was offered through San Mateo County's Single-Family Preservation Pilot Program. Through this program, a portfolio of homes were purchased in order to expand and preserve affordable, single-family homeownership and rental housing for low and moderate-income households in East Palo Alto and Menlo Park. The homes are available to households earning less than 120% of the Area Median Income and have resale restrictions.

The information about 1274 Garden Street was shared with the Menlo Park BMR Homeownership Waiting List, but the approved buyer, who is a teacher from the Ravenswood

City School District, was not from the City's List. Hello Housing will continue to market to the homeownership wait list as natural turnover takes place within the EPA Preservation Pilot portfolio.

The Pilot Program's preference point criteria are as follows:

- 1 Point: At least one adult household member currently lives in the City of East Palo Alto.
- 1 Point: At least one adult household member currently works in the City of East Palo Alto.
- 1 Point: If no one in the household lives in the City of East Palo Alto, at least one adult member of the household moved out of East Palo Alto no more than three years ago, after having lived in East Palo Alto for at least 10 consecutive years.

More information about the program is available at www.hellohousing.org/1274gardenstreet/.

Below Market Rental Recertification's and Compliance

Hello Housing conducts annual income recertification of the households living in the four BMR rental units located 1175 and 1177 Willow Road, which are owned and managed by the City of Menlo Park. In addition, Hello Housing is working with City staff to craft an approach to ensure that other BMR rental units within the City, such as those at Anton Menlo, maintain ongoing compliance with the BMR Program Guidelines.

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 on an ongoing basis to provide clarity on these policies when questions come up. Topics may include transfers of title, inheritance of BMR homes, refinancing requirements, the resale process, City policy on owner occupancy, preferred lender referrals for refinancing, and other questions.