



## REGULAR MEETING MINUTES

**Date:** 3/14/2018

**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 6:32 p.m.

**B. Roll Call**

**Present:** Sally Cadigan, Julianna Dodick, Karen Grove, Camille Kennedy, Nevada Merriman, Meg McGraw-Scherer, Michele Tate

**Absent:** None

**Staff:** Housing and Economic Development Manager Jim Cogan, Management Analyst II Mike Noce

**C. Public Comment**

- Cecilia Taylor spoke in support of making housing a City Council priority.

**D. Regular Business**

D1. Approve minutes for the Housing Commission meeting of February 14, 2018

**ACTION:** Motion and second (Cadigan/Grove) to approve the February 14, 2018, Housing Commission meeting minutes, passed unanimously.

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

Sarah Shimmin, senior program manager for Hello Housing, highlighted information from the quarterly report.

**E. Study Session**

E1. Discuss 2018 Notice of Funding Availability preferences

- Julie Shanson, Belle Haven Action, spoke in support of funding housing development that prioritizes safe transportation and young families.

McGraw-Sherer provided the subcommittee update and distributed a handout (Attachment). The Commission discussed possible criteria to address funding priorities, target populations (including family housing), income targeting, experience of developer and geographic dispersion of units throughout the city.

E2. Discuss Nexus Fee Study recommendations from subcommittee

Grove and Merriman made a presentation on financial feasibility results and the subcommittee's

proposed fee recommendations (Attachment).

The Commission requested an action item on the next agenda to consider recommending the City Council modify Below Market Rate in lieu fees.

## **F. Reports and Announcements**

### **F1. Subcommittee reports (10 minutes):**

For the Below Market Rate Guidelines subcommittee, Staff Cogan reported staff is working with the subcommittee and the City Attorney's office. This item will return to the Commission at a future meeting for consideration and approval of a recommendation to the City Council.

The Housing Policy subcommittee is planning a meeting in April.

### **F2. Commissioner reports**

No additional reports.

### **F3. Staff updates and announcements**

Staff Cogan reported Facebook will host a community open house on the Willow Village project Thursday, April 22, 2018, at the Arrillaga Family Recreation Center.

Staff Cogan reported a City Council study session on a potential downtown parking garage is tentatively scheduled for Tuesday, April 24, 2018.

## **H. Adjournment**

Chair Tate adjourned the meeting at 9:05 p.m.

**MENLO PARK HOUSING FUNDING NOFA – BRAINSTORMING SESSION WITH COMMISSION**  
**March 14, 2018**

**Items for Consideration**

1. **Funding Priorities:** What priorities would the Commissioners like to see funded projects meet? Examples include siting in Central/West Menlo Park and in proximity to transportation/services (items the NOFA Committee has already included in the draft update).
2. **Target Population:** The NOFA Committee would like to prioritize family housing for this NOFA. Is this acceptable, or would the Commission prefer to target other populations or no specific population?
3. **Income Targeting:** Would the Commission like to see threshold income targeting in the developments funded through this NOFA? The NOFA Committee's proposal is to require the following: 10% of the units @ or below 30% of AMI and 50% of the units @ or below 60% of AMI.
4. **Experience of the Developer:** Currently, the requirement is for two affordable housing projects under a project developer's belt. We can add a requirement that they have developed in the 9-County Bay Area with a threshold of a certain number of units. Appealing? Any other requirements?

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# Nexus Fee Committee Report

Karen Grove and Nevada Merriman

3/14/18



*Credit for many of these slides goes to:*

Sujata Srivastava, Strategic Economics

Joshua Abrams, 21 Elements

# Purpose of the Nexus Studies

- Calculate new fees that mitigate the impact of new development on demand for affordable housing in Menlo Park



# Nexus Fee Committee

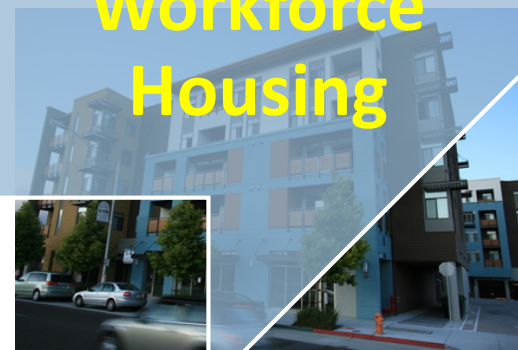
Should the BMR program fee schedule be revised?

*Yes!*

If so, what changes are needed?

- Update existing Commercial Impact Fees
  - Two or three categories?
  - What should the fees be?
- ~~Establish NEW Housing Impact Fees (AB 1505/"Palmer Fix")~~

# Commercial Linkage Fee





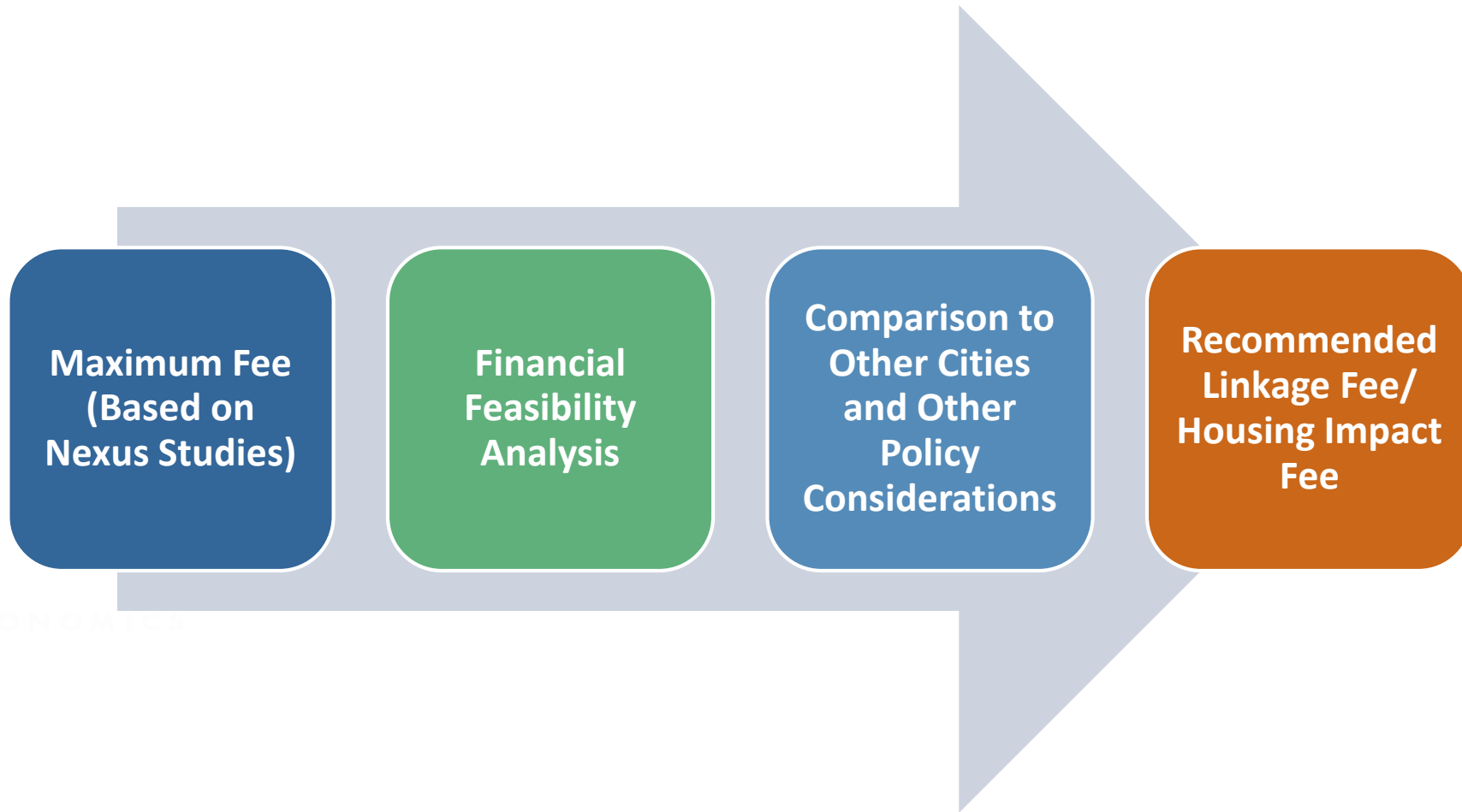


# Recommend no Housing Impact Fees

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- Nexus Committee agrees with staff that it's preferable to implement Inclusionary Zoning for rentals, now that AB1505 permits it.

# Getting to the Recommended Fees



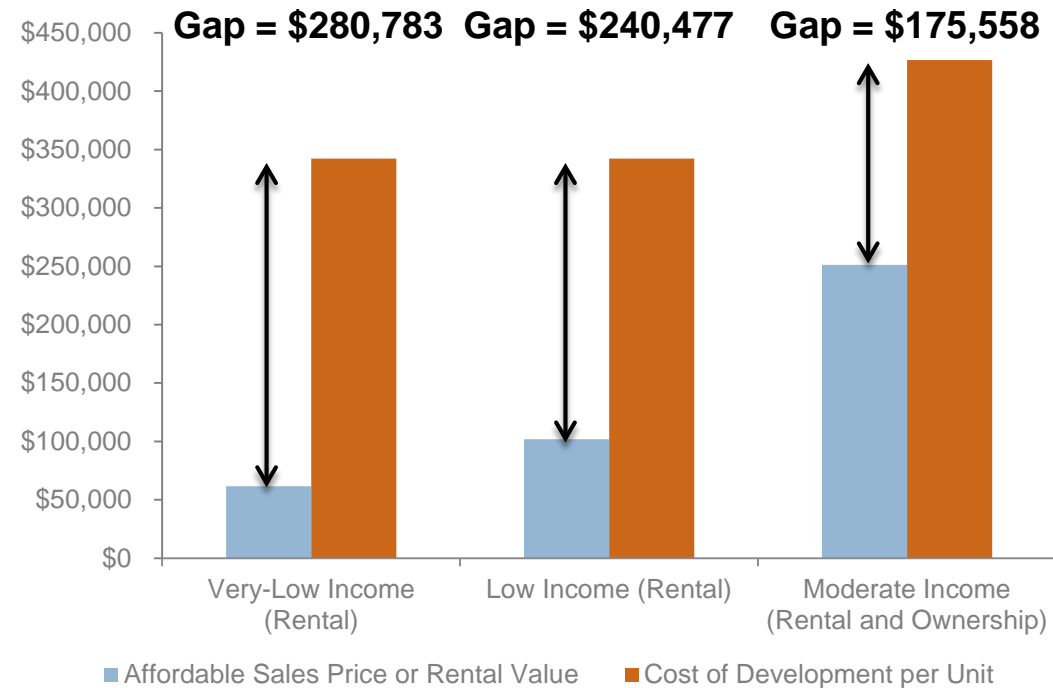
# Maximum Fee:

Affordability Gap \* New Workers / Size

The affordability gap is the difference between what households can **afford to buy or rent**, and the **cost of building a new housing unit**



Average Affordability Gap by Income Group,  
San Mateo County, 2014



# Financial Feasibility

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- **Land Costs:** How much can a developer afford to pay for land after accounting for all other costs (construction, soft costs, profits)?
- **Rate of Return:** How much do investors earn after accounting for developer profit and all other costs (construction, soft costs, land)?

# Financial Feasibility Results

	Hotel	Retail/ Restaurants/ Services	Office/ R&D/ Medical Office
Maximum Fee	\$154/SF Not Feasible	\$265/SF Not Feasible	\$255/SF Not Feasible
Feasible Range	\$10-15/SF	\$5-10/SF	\$25-50/SF

# Menlo Park Existing – Comparison to other Cities

Below Market Rates (BMR) Rates Comparison				
City/Town/etc.	Year Nexus Study was performed	2017-2018 BMR Actual Rates Per Square foot		
		Hotels	Retail, Restaurants, and Service	Offices, Medical Offices, R&D
Menlo Park	2017	\$ 9.17	\$ 9.17	\$ 16.90
Mountain View	2015	\$1.41 -> \$2.81 @ 25,000	\$1.41 -> \$2.81 @ 25,000	\$13.14 -> \$26.27 @ 10,000
Palo Alto	2015	\$ 20.37	\$ 20.37	\$ 35
Redwood City	2015	\$ 5	\$ 5	\$ 20
Sunnyvale	2014	\$ 8	\$ 8	\$8 -> \$16 @ 25,000

# Nexus Committee Recommendation

Prototype	Hotel	Retail/ Restaurants/ Services	Office/R&D/ Medical Office
Maximum Nexus Fees	\$154/SF	\$265/SF	\$255/SF
Existing Linkage Fees	\$9.17/SF	\$9.17/SF	\$16.90/SF
21 Elements Recommendations	\$10-\$15/SF	\$5-\$10/SF	\$25-\$50/SF
<b>Nexus Committee Recommendations</b>	<b>\$15/SF</b>	<b>\$5/SF</b>	<b>\$35/SF</b>

# New Fee Recommendation – Comparison to other cities

Below Market Rates (BMR) Rates Comparison				
City/Town/etc.	Year Nexus Study was performed	2017-2018 BMR Actual Rates Per Square foot		
		Hotels	Retail, Restaurants, and Service	Offices, Medical Offices, R&D
<b>Menlo Park</b>	<b>2017</b>	<b>\$15</b>	<b>\$5</b>	<b>\$35</b>
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