MONTEREY COUNTY
HOUSING ADVISORY COMMITTEE

AGENDA

Wednesday, January 14, 2015
Monterey County Government Center, Monterey Room, 2nd Floor
168 West Alisal Street, Salinas, CA
5:00 p.m. – 6:00 p.m.

1) Call to Order

2) Public Comment:
The Housing Advisory Committee will receive public comment on items not listed on the
agenda within the purview of the Housing Advisory Committee. The Chair may limit the
length of individual presentations.

3) Approval of the December 1, 2014 Meeting Minutes

4) New Business:
a. Receive a presentation on a request from CHISPA on behalf of Moro Cojo residents
to reduce the duration of affordability on the single family homes from “in perpetuity
to fifteen years; and make a recommendation to the Board of Supervisors regarding a
change in the duration of the affordability Moro Cojo.

5) Old Business:
a. Receive a presentation in response to correspondence received from an Inclusionary
Homeowner in regard to the Inclusionary Housing Program.

6) Updates

7) Committee Member Reports
Committee members will report on matters, events and activities as related to HAC goals
and advocating for housing.

8) Additions to Future Agendas
Committee members may give direction regarding future agenda items.

9) Schedule Of Upcoming Meetings
• April 8, 2015: regular quarterly meeting
• May 13, 2015: Special meeting re draft Housing Element

10) Adjournment:
The Chair will adjourn the meeting.

If you have any disability that would require assistance to access the meeting room, please
call (831) 755-5390.
HOUSING ADVISORY COMMITTEE MINUTES

Monterey County Administration Building
Monterey Room
168 W. Alisal Street, Salinas, CA

Monday, December 1, 2014, 5:00 PM

Members Present: Karen Araujo, Ignacio "Mog" Cabatu, Jim Felton, Margaret Robbins, Wayne Ross

Members Absent: Sabino Lopez

Staff Present: Jane Barr and Emma Rodriguez

Guests Present: John Ford, Monterey County Planning Department
Earry Harrod, Bollenbacher & Kelton Inc.
Mark Kelton, Bollenbacher & Kelton Inc.
David Mack, Monterey County Planning Department
Cosme Padilla, Castroville citizen and Monterey County Planning Commissioner

1) Call to order:
Mr. Cabatu called the meeting to order at 5:03 p.m. and noted that a quorum was established.

2) Public Comment:
None

3) Approval of the October 8, 2014 and November 19, 2014 Meeting Minutes:
Mr. Cabatu requested a notation be added to the October 9, 2015 minutes stating he left the room. October 9, 2014 Minutes, Page 2, Item 5.b. will change to read as follows: Housing Advisory committee Member, Ignacio "Mog" Cabatu excused himself and left the room due to a conflict of interest. Margaret Robbins moved to approve the October 9, 2014 minutes with the change as requested by Mr. Cabatu and the November 19, 2014 minutes. Wayne Ross seconded the motion.

VOTES:
AYES: Araujo, Cabatu, Felton, Robbins, Ross,
NAYS: None
ABSTAINED: None

4) Old Business:
None
5) **New Business:**
   a. Consider making a recommendation to the Board of Supervisors in regard to the proposed Ferrini Ranch project by Bollenbacher & Kelton, Inc.

Ms. Barr introduced Mr. Ford with the Planning Department who provided background in regard to the Ferrini Ranch Project and the sequence of its review and approvals to date. Mr. Ford reported that the project was submitted in March of 2005 and the application was deemed complete in April of 2005. Projects deemed complete at that time were subject to the 2003 Inclusionary Ordinance. The project had not come before the HAC previously because the inclusionary housing requirements were fully met onsite. When the Planning Commission directed that Alternate B, as identified in the Environmental Study, be considered, the project was revised and the inclusionary housing requirements were no longer met on site. The Planning Commission voted to support the project at a reduced size, from 212 units to 185, with 17 moderate income inclusionary housing units included in the site plan and the balance of the requirement of 25 units being met through payment of an in-lieu fee of slightly more than $4 million.

One consideration the Planning Commission took into account was that affordable housing providers cited the inability to obtain tax credit financing at this site due to the proximity of services. Copies of a letter dated November 6, 2014 from MidPen Housing and another letter from CHISPA dated October 7, 2014 in regard to the financing issues were distributed by Mr. Kelton to those in attendance. In regard to multi-family affordable housing, Ms. Barr recommended that projects should be no less than 40 units and pointed out that CHISPA and MidPen Housing recommended building a minimum of 50 units.

Mr. Kelton with Bollenbacher & Kelton Inc., the developer, presented panels displaying the site plan. The property has been owned by Bollenbacher & Kelton since 1970. He indicated where the moderate inclusionary housing would be built. The houses are two and three bedroom single detached single units.

Ms. Robbins suggested that since CHISPA and MidPen indicated that 25 units is not feasible, all 40 units should be built off-site, of which eight should be for residents with special needs with the stipulation be that the in Lieu fee be used for the development and a number of years be specified to identify a suitable site.

Mr. Cabatu commented that the per unit in-lieu fees are not sufficient to pay for the development cost of a unit.

Ms. Araujo asked about the portion of the site that is planned for commercial development.
Mr. Padilla stated he was in attendance as a member of the public, not as a Planning Commissioner. He felt that retaining some on-site units was the best scenario.

Mr. Ross stated that the thrust is to build as much affordable housing as possible. He stated that if it can’t be built on-site and we can’t make the developer responsible to find an off-site location, than an In Lieu fee is appropriate. He concurred that the fee would not be sufficient to build 25 units.

Mr. Ross made a motion to approve Planning Commission recommendation to build 17 moderate affordable single family homes on site and approve an In Lieu fee of $4,015,250. The motion was seconded by Mr. Felton.

Discussion on the motion was held. Ms. Robbins stated she would not support the motion. She recommended a minority report to be conveyed to the Board of Supervisors. She recommended that all of the units be developed off-site and the developer be given two years to find a site.

Ms. Araujo asked how many units were approved in the past, how many were built with In Lieu fees, and how that amount is determined. She recommended that the In Lieu fees be updated. She also asked about the zoning on the site.

Ms. Robbins noted the lack of services in the area. Mr. Ross commented that it is due to the location of the site.

Ms. Araujo asked if there are other mechanisms in place for funding an entire project. As Tax credits only represent 40-60% of the total development cost and we cannot change the Tax Credit program, what can we do to make sure the $4 million fee actually translates into 25 units? She felt there is a need to look at fees and there needs to be more functional participation with HAC involvement.

Ms. Barr stated that the County uses a Notice of Funding Availability to identify projects.

Mr. Cabatu suggested that the In Lieu fee not be allowed to be used to reimburse staff time or preconstruction costs of the developer. Ms. Araujo endorsed this.

Mr. Ross recommended that the motion be amended to state In-Lieu fees received would be used solely for the actual construction of very low and low affordable housing units. Mr. Felton agreed to the amendment of the motion.
Housing Advisory Committee Minutes

Monterey County Administration Building
Monterey Room
168 W. Alisal Street, Salinas, CA

Monday, December 1, 2014, 5:00 PM

VOTES:
AYES: Araujo, Cabatu, Felton, Ross.
NAYS: Robbins
ABSTAINED: None

Ms. Robbins moved that a minority report be presented to the Board of Supervisors that In Lieu fees be paid to build 50 off site units including 8 for individuals with special needs.
Ms. Araujo seconded the motion.

VOTES:
AYES: Araujo, Cabatu, Felton, Robbins, Ross,
NAYS: None
ABSTAINED: None

6) Committee Member Reports
None

7) Additions to Future Agendas
Ms. Araujo recommended agendizing the historical use of In Lieu fees for the next meeting after January as well as suggested changes to the Ordinance in regard to the fees and their use.

8) Schedule of Upcoming Meetings
- January 14, 2015: Regular Quarterly Meeting
- April 8, 2015: Regular Quarterly Meeting
- May 13, 2015: Special Meeting re Draft Housing Element

9) Adjournment:
Ms Robbins moved to adjourn the meeting and the motion was seconded by Mr. Ross. The motion was approved unanimously and the meeting was adjourned at 6:26 p.m.
MONTEREY COUNTY HOUSING ADVISORY COMMITTEE

MEETING: January 14, 2015  AGENDA NO.: 4a

SUBJECT: Receive a presentation on a request from CHISPA on behalf of Moro Cojo residents to reduce the duration of affordability on the single family homes from “in perpetuity” to fifteen years; and make a recommendation to the Board of Supervisors regarding a change in the duration of the affordability

DEPARTMENT Economic Development

RECOMMENDATION:
It is recommended that the Housing Advisory Committee (HAC): (1) receive a presentation on a request from CHISPA on behalf of Moro Cojo residents to reduce the duration of affordability on the single family homes from “in perpetuity” to fifteen years; and (2) make a recommendation to the Board of Supervisors.

DISCUSSION:
The Moro Cojo project was developed by Community Housing Improvements and Planning Association (CHISPA) and includes 175 for-sale affordable single family homes and 90 multi-family housing units. The Moro Cojo subdivision is located on the east side of Castroville Boulevard north of Castroville in north Monterey County. The single family houses are not a part of the County’s Inclusionary Housing program. A request has been received from 161 single family homeowners at the Moro Cojo subdivision to amend a Condition of the Moro Cojo project approved by the Board of Supervisors on December 20, 1994. Fourteen homeowners chose not to participate in the request. The request is to reduce the term of affordability from “in perpetuity” to fifteen years.

The single family homes were constructed by the owners under the United States Department of Agriculture (USDA) Rural Development Mutual Self-Help Program whereby families contributed to the building of their homes and earned “sweat equity”. The homes are currently restricted “in perpetuity” to moderate income households who earn no more than 120% of the Area Median Income (AMI). On behalf of 161 residents, CHISPA has submitted a request to amend Condition No. 99 of the original approval of the project to reduce the term of affordability from “in perpetuity” to 15 years with the term starting from the date of the first deed of conveyance from the developer to the original owner of the unit. The basis of CHISPA’s request is that the term of affordability for Self Help Housing is typically 15 years. The proposed amendment to Condition 99 would constitute an amendment to the approved subdivision and therefore certain findings would have to be made to approve the proposed amendment.

Fifty of the 175 single family homes were developed by South County Housing. The County assisted with the financing of these homes by providing two types of loans: HOME Self Help and First Time Homebuyer loans. The HOME Self Help loans ranging from $37,190 to $106,470 were provided by the County to all 50 homeowners. The terms of the loans are 3% interest with a 20 year term. Starting at the end of the 10th year of the loan, 10% of the principal is forgiven every year with the last 10% forgiven at the end of the 20 year loan term. The note is assumable as long as the new Buyer’s income does not exceed 80% of the AMI. The houses were originally sold between 1999 and 2001 so they are now in the 13th to 15th year of their loan terms. First Time Homebuyer (FTHB) loans were also made to 37 homeowners ranging from $3,500 to $17,000. The term is for 30 years with 3% simple interest due upon sale. The loan can be assumed as above. To our knowledge, only one house has sold to date, and it was sold to a qualified household. There have been two refinance to date and two more are currently in process. In summary,
there are currently 49 Self Help loans and 36 FTHB outstanding. Of the 42 households participating in the request that received County financial assistance, there are 42 Self Help loans and 34 FTHB loans outstanding. The outstanding loans balance estimated as of December 31, 2015 will be $1,130,000 for the Self Help loans and $445,000 for the FTHB loans for a total of $1,575,000. Any funds received by the County would be restricted by the State HOME program and would have to be used to benefit low income (80% of AMI) households. As it is doubtful that all of the owners will sell their houses by the end of this year, a more realistic expected repayment of both loans would range from $660K to $860K in the next two to 16 years.

One hundred twenty five single family homes were developed by CHISPA who also assisted with the financing of the homes. Loans ranged from $12,000 to $55,000 at 3% interest with a 20 year term. Starting at the end of the 10th year of the loan, 10% of the principal is forgiven every year with the last 10% forgiven at the end of the 20 year loan term. The note is assumable as long as the Buyer’s income does not exceed 80% of the median income. The houses were originally sold between 1999 and 2001 so they are now in the 13th to 15th year of their loan terms. Based upon information provided by CHISPA, to date 20% (25) of the loans have been repaid or written off: two were sold, four were foreclosed on, and 19 were refinanced. CHISPA estimates their loan balances, as of December 31, 2015, will be approximately $1,926,000. There are no restrictions on the use of these funds. However, CHISPA has offered to pass a resolution limiting loan fund repayments to new affordable housing projects. As it is doubtful that all of the owners will sell their houses this year, the repayment amount diminishes with time. A more realistic expected repayment of the loans would range from $385K to $765K in the next seven years.

The implications of changing the restrictions from “in perpetuity” to fifteen years are delineated below:

**PROS**

- Homeowners can sell their houses at market rates and thus realize more equity.
- There is more incentive for homeowners to invest in their houses.
- If homeowners sell and the County receives repayment of loans, the County would reinvest the HOME loan money into the creation of additional affordable housing. If homeowners sell and CHISPA receives repayment of loans, CHISPA representatives have said they would spend the proceeds on the creation of additional affordable housing projects.

**CONS**

- The loss of 161 moderate income single family houses now affordable “in perpetuity”. If kept “in perpetuity”, they could benefit other moderate income families.

**STAFF RECOMMENDATION:**

It is recommended that the HAC review and discuss the request, formulate a recommendation to the Board of Supervisors, and direct staff to report the recommendation.

Prepared by:

Jane Royer Barr
Housing Program Manager
MONTEREY COUNTY HOUSING ADVISORY COMMITTEE

MEETING: January 14, 2015  AGENDA NO.: 5a
SUBJECT: Receive a presentation in response to correspondence received from an Inclusionary Homeowner in regard to the Inclusionary Housing Program
DEPARTMENT Economic Development

RECOMMENDATION:
It is recommended that the Housing Advisory Committee (HAC) receive a presentation in response to correspondence received from an Inclusionary Homeowner in regard to the Inclusionary Housing Program.

DISCUSSION:
At a meeting on October 8, 2014, the Housing Advisory Committee received public comment from Bruce Zanetta, an Inclusionary homeowner, in regard to issues with the rental of his inclusionary home located on 2135 Old Court Ranch in La Palmas II. Linda English stated the Housing Advisory Committee (HAC) could not comment nor take action on an item that is not on the agenda. Jane Barr was directed to forward the handout from Mr. Zanetta to HAC members and to agendize a presentation from Mr. Zanetta at the next meeting.

Mr. Zanetta gave a presentation in regard to issues and suggestions for the Inclusionary Housing Program. Ms. English responded to Mr. Zanetta by stating he owns a home under the Inclusionary Housing Program that should be owner occupied. The Chair directed that the item be placed on the January agenda for a response from staff.

As an overview, there are approximately 444 inclusionary housing units in the Inclusionary Housing Program with them almost split 50/50 between for sale homeownership and apartment rental units. Other than one for sale unit that has been approved by HAC to rent on a short time basis due to hardship, there are no other houses approved for rental. Mr. Zanetta who has been renting his unit off and on since approximately early 1996.

Attached to this report is the handout from Mr. Zanetta. Also attached is a timeline of some of the relevant events in regard to Mr. Zanetta’s unit.

Mr. Zanetta’s letter addresses a number of issues. Our response below is in order of them in his letter.

1. Issue: Email from a potential renter will not submit paperwork re assets and income because they believe they are above the median income despite losing a house to foreclosure.  
Response: There are income and asset limitations as a part of the Inclusionary Housing Program to ensure that it is provided only to those who meet the program requirements and need assistance.

2. Issue: Potential renter is frightened by the process.  
Response: Owner should assist them or refer them to the County for an explanation of the process.

3. Issue: Katrina family cited as having an issue.  
Response: Family was missing documentation for income qualification in regard to assets but an exception was made for them to qualify without full documentation and they were approved on 1/24/06.
4. Issue: Teacher – not identified by name and so cannot relate to work papers to respond to the issue.
Response: NA

5. Issue: Renting is in the Deed for the house. Owners want to keep house while living in another owned house and then move back in when the wife retires.
Response: The Deed does not reference the ability to rent the house. The for-sale Inclusionary Program is for homeowners to purchase and live in a house. It is not intended to be for renting out a house.

6. Issue: Potential renter is frightened by the process.
Response: Owner should assist them or refer them to the County for an explanation of the process.

7. Issue: The income qualification process has become stifling, not functional and is believed to be a taking Potential renter is frightened by the process.
Response: The process to income qualify renters is uniform and follows the State Housing and Community Department’s (HCD) “Income Calculation and Determination Guide for Federal Programs” manual.

8. Issue: The formula is wrong and no more than 33% of income should go to rent.
Response: Rent is determined on the basis of the size of the unit and is determined by HUD and the State based upon the Area Median Income (AMI) on an annual basis. This is different from the Section 8 program which provides rent subsidies based upon 30% of the renter’s calculated income. In the case of the Inclusionary Program, a landlord may set the rent at or below the maximum limits.

9. Issue: The County uses HUD numbers which do not fit the county.
Response: The HUD published AMI is based upon local data for specified local jurisdictions and is further approved for use an issued to jurisdictions by HCD.

10. Issue: The numbers fit a large house better than a small house and force an owner to overload beyond state requirements to meet the income cap.
Response: Rents are based upon the number of bedrooms and not the size of a house. I assume the last part of the issue means that there need to be more than one wage earner in the family in order to be able to pay the rent. There are income, rent, and occupancy limits for the houses in the Inclusionary Program.

11. Issue: The rental process follows the house purchasing process.
Response: The income qualification process does not differ for either program.

12. Issue: The rental process timeline is too long.
Response: The County process is based upon the same process used by other jurisdictions and is largely dependent upon the speed with which the prospective renter submits all of the required documentation. We qualify applicants one at a time and do not qualify backup applicants.

13. Issue: The rental process follows the house purchasing process.
Response: The income qualification process does not differ for either program.

14. Issue: New mandates are piled on every year, need to be re-qualified annually, and must vacate if they no longer qualify.
Response: There have been no new mandates. Renters must be re-qualified annually and may not continue to occupy a unit if they are not qualified to do so.

15. Issue: The process is worse than the process for purchasing and forces landlords to take tenants they ordinarily would never rent to.
Response: The process is the same and the landlord selects the renters.

16. Issue: The process does not include vetting potential renters.
Response: This is correct. It is not the County’s responsibility to check out renters for a landlord.
Mr. Zanetta’s report included recommendations as follows:

1. Give inclusionary program rentals a safety valve akin to the purchasing program.
2. Allow renters to remain even when they exceed the income cap.
3. Prove an advocate in the Economic Development Department to help get the program back on track.

**STAFF RECOMMENDATION:**
It is recommended that the HAC review and discuss Mr. Zanetta’s concerns and recommendations and direct staff accordingly.

Prepared by:

[Signature]
Jane Royer Barr
Housing Program Manager
Report to Housing Authority Commission
October 8, 2014

Problem Statement: The moderate income rental program

The following is an email I received this morning. It is one example of many.

Hi Bruce,

My parents wrote down their assets including cars and savings account. They feel that with everything on paper, they are above what they would be considered to be median income even though they lost their home. They are already discouraged before they even attempt to turn in the application. If it was up to me, I would turn it in for them.

I appreciate all your time you spent with us, but they will not move forward.

Thanks, Bruce and good luck with your new tenants.

Sincerely,
Kara

The mother suffered a stroke and they lost their house. They were supposed to be retired but the father has gone back to work in security for a hotel in Monterey. Their income is well below the cap but they are frightened by the process like so many before them and so many more to follow.

They are among 100s and 100s throughout the many years that I have been trying to make this broken system work for, who have been discouraged and frightened away by the process or at some point during the process. They are like the father and two daughters from several years ago who were brought to me by our local Katrina relief chapter. All they had was the car and the clothes on their back and without a lot of extra effort were not going to qualify!

Like the teacher with terminal cancer, My wife and I have taken in hard ship cases. Every time it is a struggle to get them in the process and often ends in failure because an “I” was not dotted, a “T” was not crossed or they were penny off.

I and my wife have been dealing with this for approximately 20 years. Renting is in the deed of our house. We want to hold onto the house so that we can move back in once my wife retires. We currently live in Monterey so that our commutes are short. That has been our plan at least.

Despite the many difficulties of the county process we have managed over the many years to meet the spirit, intent and greater purpose of moderate income housing. It served me well on my meager teachers salary at the time and I have always wanted to pass on in kind.

But from the beginning it has been challenging and with every passing tenant the county process has gotten worse instead of better despite our best efforts. The process is so stifling now that it has now reached the point where we actually can no longer function under it. We can no longer provide the
service of a moderate income rental and to use a legal term our house is under - going a TAKING - from us by the county. We lost well over $20,000 dollars this year entirely due to the process and clearly we can no longer function as an inclusionary house under those circumstances. This is a sad because this year we are receiving, 20 or more, calls / emails responses a day from just one add of utterly desperate people. Clearly there is a need for moderate income rentals in this county.

So how is the rental part of the inclusionary housing program so dysfunctional for us and obviously for others and how can it be fixed. The problems lie in both policy and process.

(1) The formula is wrong. No more than 33 percent of the occupants income should go to rent. Consequently we have our rent at $1550 to meet that criteria where county numbers do not.

(2) One shoe does not fit all feet part 1. The county works off HUD numbers which do not fit this county.

(3) One shoe does not fit all feet part 2. The numbers fit a large house much better than a small house. They essentially force an owner of a small house to over load beyond the state requirements to meet the income caps.

(4) One shoe does not fit all feet part 3 The rental process apparently tries to follow the house purchasing process. Rental applicants are held to same requirements and timelines as those purchasing a house. A rental or renter cannot wait or loose income for months as the process sputters along over every detail and then with failure is doomed to start again.

(5) Problems with the processing of applicants. It is to slow, given a low priority, goes beyond its own guidelines and discouraging to all. They have a page of requirements which are difficult enough but then go well beyond that page into a hidden list which draws the process out. One applicant is processed at a time and after a month and a failure to qualify the next in line has given up or moved on. In brief we have a bureaucracy here in the worst possible sense rather than a public service in the best possible sense.

(6) Piling on new mandates every couple of years. This has now reached an dysfunctional level. As an example the renters now have to re-qualify every year. Apparently if they fail to do so I have to kick them out of there home even if they are ideal tenants in every other way. Obviously this scares most away right from the start. Several years ago a teacher's raises took her within dollars of the cut off. She decided to move out rather than face that. I will tell you right now, as I told her, I will not force a tenant out under those circumstances. I have more respect for them than that.

(7) The process for renting is actually worse than the process for purchasing. Forcing a renter out because they got a raise is one example of something that would not happen to an owner. Another example is selling has a safety valve if / when there are no buyers. Rental units under the same program do not have that. We went six months without rent.

The process also forces the landlord to settle for renters they ordinarily would never rent too in normal circumstance. Where-as the seller does not care what happens to the property after the sale. To date the system has gotten so bad we ended up settling for a questionable tenant who turned out to be a tenant from hell. The neighbors were upset, the sheriff had to break in, they squatted and they scammed both the county and myself. Damage was severe. I refuse to see a repeat of that.
(8) The process not only now forces us into taking high risk renters but does not do vetting that would help us in that regard. At least they could offer that if they are now going to charge fees for this otherwise broken process that is currently in no way providing any service to any and all parties.

I can recommend two simple fixes that do not require fixing the myriad of problems listed above:

1. Give inclusionary program rentals a safety valve akin to the purchasing program.

2. Allow renters to remain even when later raises may take them above category cap.

3. Finally it would be nice if we have an advocate in the department that can help get this back on track so that we are not losing our rights and property and so that we can continue to serve a community in obvious need.