

ACTION
MINUTES OF THE SPECIAL JOINT BOARD MEETING
OF THE
HOUSING AUTHORITY BOARD OF COMMISSIONERS
AND
MONTEREY COUNTY HOUSING, INC. BOARD OF DIRECTORS
HELD JANUARY 23, 2006

Commissioners and Directors met at the Central Office, 123 Rico Street, Salinas, CA. The meeting was called to order by Housing Authority Chair Alan Styles at 4:40 p.m. Present for the Housing Authority: Chair Alan Styles, Vice Chair Josh Stewart and Commissioners: York Gin, Timothy Escamilla, John Dalessio, and Richard Rangel. Absent: Commissioner Merri Bilek. Present for the Monterey County Housing, Inc.: Secretary/Treasurer Tom Tuttle; Director Allen Robinson; and HACM Representative Josh Stewart. Absent: President Lilly Sparks, Vice President Tony De Anda, and Directors: Eugene Ferris, Juan Regalado, and HACM Representative Lyn Ann Rosen. Also Present for the Housing Authority: Jim Nakashima, Executive Director; Mary Jo Zenk, Deputy Executive Director/Chief Financial Officer; Tony Caldwell, Chief Information Officer; Rosie Anderson, Director of Assistance Programs; Jean Goebel, Director of Housing Management; Starla Warren, Director of Housing Development; and Lynn Santos, Director of Finance. Also Present for MCHI: Kim Stemler, Executive Director. Recorder: Sandy Tebbs.

COMMENTS FROM THE PUBLIC: None

NEW BUSINESS

A. Goals and Roles of HACM and MCHI

Ms. Warren presented a PowerPoint Presentation, HACM & MCHI, Roles and Goals, January 23, 2006. For information only; no action required.

Sw stated in your packet here you have several items which we will be discussing you've got the hacm and mchi goals and strategic plans—you've got the presentation that was made to both the hsg auth and the mchi board during November/December. You have some info with regards to a chdo and its development and its status—there are rules and regulations on the chdo and you also have a—in the second (section) lease-- you have permanently ___ affordable housing—that's _____ grant us; and you have several documents—you have a land trust roles and responsibilities, which are provided by our consultant and we're going to be going over these _____--provided additional information for you right after the meeting and then there's a little workshop called key decisions so there's beginning to do a land trust and what are some of the things that are concerns—we're going to cover that in the power point. And then you have a table of content for doing a land trust—its showing you the kind of things that are in a land trust that would be actually _____. And some of this is kind of a repeat of what you saw before.

Presentation; so you similar mission statements—hacm's to provide and administer and encourage quality affordable housing and related services t eligible residents of mtry cnty—mchi's msn statement is to develop, maintain and promote quality hsg that is affordable for all residents of mtry cnty and to strengthen families by supporting stable and economically diverse neighborhoods. These are very similar.

Some of the goals and the strategic plan are for hacm, increase affordable hsg opportunities within mtry cnty by dev or stimulating dev of affordable hsg both thru inhouse dev activities and in partnership with or on behalf of others and mchi's is increase affordable accessible hsg—hacm is we will be the lead affordable hsg orgn in the cnty and mchi's similar tho is create public awareness of orgn to the extent that it benefits mchi and provide advocacy and outreach. Hacm's goals will ensure long term financial viability for the agency in light of the changes in fed, state and local funding levels and increase scrutiny of hsg programs and will implement an overall asset mgmt discipline to ensure the long term physical and financial viability of the assets that are

owned and managed or financed by the agency. Mchi's similar goal is to dev and maintain funding and systems that support administrative and operational functions of the orgn. Hacm's goal will provide excellent customer svc and mchi's similar goal will dev and diversity the board of directors.

And current hacm roles with mchi – hacm is the property mgr. It does maint, eligibility, leasing, tenant mgmt and property acctg. We're also a lender at no additional cost, the advance cash flow as needed, share financial risk, we provide loans to mchi currently at \$2.9M; we provide guarantees to outside equity partners and we're also a financial advisor, audit mgr, we provide corporate acctg and banking, we do cash mgmt, insurance specialist, contract compliance, and procurement agent for mchi. We're also development advisor for mchi; we design—we're a design advisor, secure funding, provide proj mgmt, provide expertise to maintain chdo certification; we're also construction mgr, and rehab specialist for mchi. Also some other items we are the official address for the corporate documents and we also lend the use of our facilities here for and in support of mchi and also lend them the physical planof ____ meetings.

Sw cont. mchi's roles with hacm, they are funding partner in obtaining home chdo funds—we did that with pdm and jardines del monte. They are a customer for property mgmt and modernization functions and also indicating that they have debt _____. Mchi's current roles with hacm—we're codev partner for projects requiring nonprofit general partner—so we are general partner for king city and plaza house and co-general partner for tynan village. So you know we talked a lot about how to have the board have a good discussion with regards to how could see the relationship and so staff along with kim and our staff discussed well it would be good to have a real issue before us and the issue that we have—that we're dealing with right now is the land lease model and it is something that we feel that mchi could be involved in—depending on the two board's directions and so that in order to perhaps get us to the other end for us to actually have a discussion on a table is that we're dealing with right now which is the land lease model. So this presentation is for our board as well as mchi's board to talk about how those things could occur.

So there's specific discussion points that we'll talk about and on the land lease model, some of the reasons why we'd want to go to a land lease model structure is it is a mechanism to deliver affordable hsg to the residents of mtry county, an entity defined by the board holds the land in trust and then sells the improvements so that the land remains on the hsg auth or the land trust entity book and we sell the improvements and then we apply deed restrictions on the resale and we'll talk about what kind of deed restrictions or resale formulas might be utilized and see if there's an agreement on that. And it is not a community land trust. A comnty land trust—altho your final decision could create a community land trust, but typically a comnty land trst has a larger base so that you might have—you'd have comnty members on the board of a comnty land trust and it would be—it's a broader land trust model than what we're talking about—as a program of an agency. So here are the things we're going to talk about today that decisions have to be made on. so we have—at the staff level we have hired a land trust consultant whose like a ____ of land trust models and these are the steps that we have at the staff level and we have so much of a ____ on some of these items but not on all of them. We have so much of a ____ on improvements, inheritance, occupancy, maintenance, the ground lease fee and what we really have not support necessarily in a definitive recommendations—we've had somewhat you know they're not really recommendations, but we have some ideas organizational structure and resale formula where we can get some work where the board's most involvement would be in terms of finalizing this model.

So improvements, why do we want to have anything—why is that an issue? you need them at some provision for your policy on improvements it's quite possible for a homeowner to add so many improvements that it just takes it right out of the affordable market so if they added a _____, they added a counter tops or what have you, it would impact your affordability and the resale value so that's why you have a policy and improvements and so as we discussed and you'll see more discussion about these items in the paperwork in your packet, but we recommend a resale of—would be available for all pre-approved improvements that are done by a licensed contractor and that had an agreed upon depreciation rights so that at the time of resale, when you try to settle what the value

of resale is and for the owner to get the money that he put into it out of it, we need to get a mechanism so we're going to ask that the land trust approve your improvements and we're going to ask that it be done by a licensed contractor so we know its quality work and then we're going to make sure that we have an agreed on the depreciation schedule going in.

John asked do you want comments as we go? Sw repl yes absolutely. Sw cont. so after each item then I would hope for discussion.

John cmtd I don't see anything in this for for handling sweat equity? Sw repl what equity—we don't typically do any sweat equities. John repl okay then if someone who feels as if they own a home is quite likely to put work in themselves?? And that doesn't seem to be accounted for. Sw repl no it does not, but what we're also trying to do is you'll see in many of the slides and many –much of our discussion was okay this is all kinds of controls and mechanisms you can put in place to make the homeowners run thru and we're trying to not make them feel like a renter—we're not trying to make them feel like they've got to come to the land trust every time they turn around to do something so we're putting forth some general paramenters that will be fair to the homeowner at the end of process but if you're around everyone—let's say I upgraded my electrical, well I'm not a licensed electrician but that's what equity is—let's say that I couldn't do—that personally and my family knows—you put a new bathtub in we put a new shower in—but we're not plumbers and we have no way to validate the quality of that work—so the mechanism that we felt was appropriate with these was for them to come to the land trust at the point of them making the ____ of improvements and then make the determination that yes that's not going to put it out of affordability--yes they're using a licensed contractor so that we'll know it's being improved appropriately but you're absolutely right, there's no provision for sweat equity.

Jim asked is that something that you'd be interested in for us to look at? John repl well yes and between that and the \$500K minimum. And I can understand you don't want to appeal to ____ - the whole _____ and you also have to have these validations right or you're going to ripped off royally so. Sw repl well and the other issue is tho is that does he—it's going to require the land trust staff to have a judgement about the value of that work. tim cmtd the quality not just a dollar value but the quality value as well. Sw repl well exactly but specifically the quality—the cost stuff so—now how do we handle that—do we put a professional estimator on staff I mean so we looked—we had a four hour meeting on these issues. Tim asked who was in the meeting? Sw repl myself, kim was in on a couple of those, our staff, and our consultant Burlington and associates. Tim repl okay so I'm trying to get a point of reference here with reference to this presentation about the land trust because I'm assuming that everything—before this land—the presentation before the land lease there's no discussion is what I'm making the assumption, right. And so when you take about the land lease forward, now I'm making the assumption that staff, which for the purpose of this board, incorporates mchi staff which is ____ kim. Sw repl right. Tim asked does that make sense. Kim repl in the affirmative. tim cont so when I hear staff think from starla, my question is is that coming from kim as well or—and—kim repl for the most part—I mean not everything; I have little issues but—tim std okay I would like to hear your issues when you hear one. Kim repl okay. Tim cont so I know what these issues are. Sw repl and we talked earlier and I told kim to sign in at any point in time that she had either something you know disagreement or what have you, but we have met many times and when I say staff on this presentation, I'm talking about kim and the hsg auth staff. Tim repl okay.

Tim cont. and then again this is more for a point for myself is the purpose of going thru the land lease model is that I guess that we believe its important to go thru an issue that we work with mchi too? Is that what's going on. jim repl yeah. Sw repl well its an example how that—how our relationships blend—if you will. Alan cmtd could blend or blend or—sw repl could blend at the direction of the board yes. Tim asked okay is that your understanding as well. Allen mchi we're trying to find everything we can agree to to mechanize these things.

Sw cont. trying to find some common ground and because the whole discussion is at the end of the day is what are our future roles with mchi? Somebody repl absolutely. Sw

cont so as we go thru this—I think it's going to bring up those issues and it will bring up the difference in board members—tim repl but yeah that's not outlined anywhere—that's not a question whether our people work together. Sw repl it's kind of _____. Several talking. josh asked starla you were talking about a license, even if you got a licensed contractor to work and say the improvements came of 50% more now is there possibility? Then what the profit value was I think you put \$100K in improvements on your property and stuff like that and you've gotten out of the scope of affordability, where do we stop this? 10% improvements—20% improvements—30%? Sw repl well and also you may question the resolution and maybe some of the other board info —you've got a \$5K figure there but it's not necessarily limited at \$5K or something ___ up to \$5K, what the goal is is to require the homeowner to come to the land trust and say here's what I'm planning to do—the real key is approval and here's what I plan to do—I'm going to increase my value by 50%--I'm adding five bedrooms to this house—well that then is going to take it out of the realm of affordability for the next person to buy and so that's what we're trying to prohibit. Is improving the property to such an extent that it kicks it out of affordability so it's really—I think you know what the mechanism is is you have an idea of what you want to do, you bring it to the land trust, the land trust has to approve it—so and it would probably be a case-by-case basis. As it happened so—and it's hard and that's why we have a generalized recommendation here because it's hard to really foresee every little situation that could come up. And so if the homeowner wants to do things on their own without the approval of the land trust then they're welcomed to do that but they may not get that money back at the end of the day.

Allen asked what do you think about the possibility of landscaping? Individualizing the property for landscaping issues or something like that—you can spend a lot of money in landscaping to develop a curb appeal or something that would be very different so how would you address that in terms of a policy because homeowners should know to do landscaping or something like tht—somebody repl sweat equity. Allen cont understand, but there's things that we think about—landscaping—is it drought tolerate—is it whatever you know it's in the policy? Somebody repl it all dies off. Allen cont it all dies and _____ you know I mean that could be an issue when you talk about sweat equity that we could reasonably have—the other thing about licensed contractors—just because you're a licensed contractor doesn't mean you do quality work—that's for sure—you could have someone follow that up in terms of—and also there's a lot of funny things about how a licensed contractor for that trade—that craft—I'm a general licensed—I'm a general contractor and I can do it all but they really can't—it's one of those things you have to be careful about _____. The sweat equity thing I think its important is—I don't really see—it would be really hard to manage a sweat equity program—it's very difficult to have a quality assurance on that—in my opinion.

Sw repl it would be difficult and we have had lots of discussions —lots of layering and discussion on all of these topics that we're going to go thru and I mean—and we really didn't intent to you know—we're here to definitely talk about all the issues but and we don't want to create an animal that is going to eat you up so we've looked for the easiest—not necessarily the easiest but the clearest mechanism in which to accomplish but the easiest to accomplish without over administrating it. So we are saying come to the land trust, let us look at what you want to do and we'll make a decision based on—somebody asked send that to who? Sw repl pardon me. Tim asked who are we saying come to the land trust? Sw repl to the owners. Allen repl any land owner who wants to make improvements—the person who wants to make the improvements has to come before a panel—so here's what I want to do; this is how much its going to cost—you can put accountability in there too—here's my estimates or whatever it is and at the end of the day, you should be able to follow-thru and receive some things because your works been done and been verified or something like that.

John repl you don't have to do that, right? Sw repl pardonme. John repeated they don't have to do that—there's other options—several talking at once. Jim cmtd this is a problem tho which you just mentioned it—a true problem because there is a proj in no. county and it's running into that problem right now because they've come into it this year and they had some real issues of what was approved and what wasn't and the argument for is starting on the valuation of that and nobody had any—did not have any clear cut answers because there was no set policies. Somebody stood—somebody could put

\$25K—pay \$25K—at the same time or pay it at that point—how do you depreciate the \$25K you know if there's no commission given. And another case that has happened is las palmas—you know they had the first model as an example and from there affordable housing has ran into where they did have strict controls and rules and they were able to control for this one family—this family wanted to add another bedroom and that's very expensive but they had gone thru the process with the guarantee that it would stay affordable even with that there bedroom even tho the price had doubled, you know—they had controls in place but the same time you've got to give them ____ it is their home—they bought it. So we discussed it and what the consultant and the discussions both were the fact that we keep it as simple as possible but the controls really is that it goes back to the—we give them a guideline and it goes back to the –sw intrpd the administrator under the land trust.—jim cont right and to say hey you understand that this is what you're facing if you do so and what you could lose on the deal.

Allen cmtd well one of the things I think you're bringing up is inaccurate—really important part about improvements and that's value added—how do you appraise the value added to this project if you add another bathroom to the house and enlarge the kitchen and family room or add a certain thing. Is that something where ownership can can go good and bad. You can do what we call a remodel job and do a crummy job on an addition and ruin the value of the property so these are some things that are important to consider. But I think the checks and balances part of it is having a board like you're talking about—if you're dealing—not that they have to be tyrannical about it but they need to be able to understand the implications of addition for improvements—to the homeowner themselves to say if I put in \$50K, am I going to get \$50K back in appreciation value—they may or may not. Real estate doesn't always go up. Sw repl and that's why we had—that's we're suppose to be on a depreciation schedule.

John cmtd just for clarification again, I red this as \$5K is not the maximum but the minimum—you don't come in for less than \$5K. sw repl that's correct so any improvements under \$5K would not be eligible for consideration in adding that value back to –after resale—so if you did \$5K today and you agreed on a ____ depreciation schedule, at resale you'd get nothing for that. So –and under \$5K it doesn't seem to work—say what can you do for \$5K on a house? Tim cmtd if you have several \$5K improvements. Sw repl you could probably do carpeting or floor covering—you know which is usable anyway—you know—principal anyway and _____ order—and you can what, tim? Tim asked several \$4K projects. Sw repl right so I mean if you wanted to bring that in front of the board—I mean but did you do themselves or do the contractor do them and were they done over what period of time? So we're trying to create some guidance and some mechanism of agreement as we go forward. So that's one item.

Sw cont. now inheritance is another and each one of these is going to be—you know—we need to discuss them but I felt—the question is should a owner be able to leave their house to their heirs, even if their heirs are over-incomed? Should the estate be forced to sell the unit to another low income family? Those are the questions on inheritance and those are the items that we discussed and there again we had a lot of discussion about you know how much intrusion to a homeowner are we going to be making. So we came to the recommendation and conclusion that the owner be allowed to leave the unit to their heirs even if their heirs are over incomed. And the heir would have to agree to make the unit their permanent residence—their principal place of residence and to deed restrictions upon sale. So it would benefit the heirs by being able to have a home and an affordable home at that, but upon resale, the same restrictions would apply that was with the original owner whose now deceased?

John asked it did provide tho that the inheritance heir can lease the property for a six month period at a time more than the affordability—affordable—sw repl correct—and there again, we're not trying to over police so if every time an event occurs in this homeownership experience and we don't want to—okay who are the eligible people listed income eligibility, whose he lending to—is it market rate—is it not market rate? How long you going to be there—you know do we police the unit and inspect it and or overly you know—if we're feeling –our general feeling was that the more of that you add, the less they are a homeowner and the more they are a renter. So we wanted to—we intentionally backed off on trying to micromanage the situation. Josh cmtd I think what's

going to happen then is, starla, is eventually we're going to get out—in fact that those were going to be kept in our own inventory—yeah we're going to lose that inventory of those homes even if those heirs because of the fact that children is not been part of our deal—tim intrpd yeah I'm with josh, I think you got to sell them back to qualified people. I'd give them a grace period of up to maybe 24 months if they're overincomed, they get out.

Allen stated you're just saying those things —you didn't think they could afford it because they wouldn't be _____. Josh repl no I said that—no-no—that wasn't what I was saying at all. I mean the people that—the children is going to be more than likely is not going to be low income. Allen repl well I differ with that; my son can't afford a house around here. a lot of children aren't going to be able to afford the houses their parents own. Tim repl that's why we got to —you should resale it back to the stock. Allen cont wait a minute if the child can't afford to make—tim repl well if they can meet the criteria of this hsg auth affordability, absolutely. But if they don't—allen intrpd see I would differ with that because I think if they own a house they should be able to inherit the house; that's part of the idea of ownership that you can pass it on to your heirs. But I do think the problem comes in what you mentioned if you're going to rent this, because I mean let's say in the next 30 years all of these houses are going to transition to inheritance is an example. Well if they start making it rental I would be more considered about the quality of lifestyle in a place where we're having more rentals than we are ownerships.

Sw repl well we haven't gotten to the rental thing yet okay. That's the point of discussion so we'll get there—but essentially we're saying that they can sublet their house for up to six months so if somebody is ill in the family; if somebody has to be out of state for some reason then we will allow for subletting up to six month. If you have a special consideration, come back to the land trust and say I need to sublet this for longer than six months and here's why. I have a you know otherwise consideration happening in my family and I can't do that. So there's a slide coming down about occupancy and that we have decided that we would let them sublet for up to six months only and _____ only upon approval of the land trust.

Allen cmtd that still goes to the fact that when you have ownership, you'd expect to pass on your subsidized outback? Tim repl and I completely disagree on that; I would do the opposite—I would say if your heirs meet the criteria of affordability for this housing authority, then they can have the first choice. Several talking at once. Tim cont but if they're not, don't meet the criteria they don't get it and we just turn around and sell it.

Tom cmtd your goal here is to create affordable housing. Several talking. tim stated affordable qualified by this housing authority because you've got 110% of medium; 90% of medium—we're talking about—here we're talking about less and so. Allen asked so you're going to receive the house back or they're going to have a chance to sell it and get their equity out of it? Tim repl they can sell it and get equity. Sw repl all resales have to go thru the land trust so the calculation has to be made by the land trust and what—they can't just simply put it on the market—you know. They should always be referred back to the land trust—tim intrpd for perpetuity you got to come back. And it's got to come back to all the _____. Sw cont unless you made the preference for an heir. Tim cmtd if the heirs qualify my voice would be if the heirs qualify right then absolutely let them inherit it—let them inherit it, but if the heirs don't qualify—too many talking at once. Allen cmtd inherit it for a certain period of time. Too many talking at once. Tom asked about contract laws—its not in here anywhere—signing contract laws. And the contract is going to clearly state what their limitations are. Somebody cmtd that's sub____. Sw cont so anyway this is what we're recommending, but what I'm hearing is that there's some agreement and some disagreement that we should perhaps allow—tim intrpd and again starla this is more of an example of how we can work together as the two agencies, right. And how the dialogues could work and this is an example, right? Sw repl that is exactly right and this is—tim intrpd we're not making decisions right now. Sw repl right, but this is why we're bringing it forward so we can get a sense of any —tim intrpd but this makes sense—sw repl exactly so—somebody cmtd—sw repl pardon me. Tom or allen asked but we're not making decisions? Is that correct—that's where I stand. Too many talking at once.

Sw repl we're getting a feel from everybody; we're going to get kind of a sense from where everybody is coming from right now so that was our recommendation and I hear that there are some—there maybe some support for saying that the heir could purchase the unit if they met the income requirements and that if they could not that there be a specified time period in which they sell it back to the landowners. Allen asked about 2392? Sw repl that's to our board. that will be for our board. john cmtd but that is a resolution that we will take up and consider, right? Sw repl I think so.

Jim comtd it really comes down to starla I think on this one you know it's a question of what is the mission is by hacm versus mchi and it is hacm's position –it always is—in perpetuity or keep it affordable—the question is in details how does that maintain affordability but it also—it's also that fact that we've also discussed that it's for our program there's a question in our mission that always do they qualify under the program that we set up within those rules individually—okay—and mchi sees like—some of the members on their side well you know what does that really mean—what's the qualification? We have such qualifications that our numbers are specific on income levels. Is the heirs is _____. Sw repl also know that this heir cannot sell this unit—they're not getting this unit—somebody cmtd but can't understand—sw cont right they're getting—if they agree to that then they have to resale it to the same as a like family and they have to live there so it's not.

Tim cmtd I saw it—I think—and allen we have decided amongst ourselves already in the sense of perpetuity and what it –the ways we wanted to keep it forever and that way—that way—for me its easy to say if you're not qualified no, you're out. Allen repl well we're probably going to talk about this later but in terms of that in perpetuity, if they're in there for 30 years is there a point where we feel like they can have the house and sell it at fair market value—I mean this is something that is going to be discussed in the community and if it's not something we're going to be talking about—sw repl we are; we have a resale formula coming up. Allen cmtd because a resale formula that goes to zero and they're able to sell this for market value, then I think we'd be big issue about inheritance. Tim repl yeah we had to—that very discussion you talked about and my vote is no that they would never be able to keep it ever—30 years—100 years what ever. Sw cmtd selling it at market. Tim cont to sell it at market. Allen repl you think they would never be able to sell it at market. Jim comtd there's no end date of—and when they submit—allen intrpd I think we're going to talk about that later so we don't have to talk about it now—I'm similar thinking that way but I just wanted to see if we're going to have that on the agenda later. Sw repl yep that's coming up.

Sw cont occupancy—should the owner be allowed to sublet their home for a long period of time? If so for how long and does the sub tenant have to be income qualified? Is there a cap on the rent that can be charged? And should there be special provisions prohibiting vacation rental? Those are the questions based to consider under occupancy. And we looked at it and we said that there should a time limitation of 6 mos in any one year with provisions for extensions in special circumstances and that again we're bringing back the same thing that continual policing of the owner takes away from the intent of homeownership and would require significant staff involvement so we're saying yeah they could sublet for the 6 mos living on it; they need to come to the –when they get ready to do that, they need to get--_____--they need to get the land trust approval to sublet so we're not going to sit there and scrudinize what the rental structure is; we're not going to also do any income qualifications on the person that's subletting it. Because there again what you're trying—what you're doing is you're creating a lot of staff work and it's really their home—you know it is their home. So the board is free to change that at any point—you know—you're _____. Josh cmtd that's going to have some discussion too. Sw repl well that's it if you ever wanted to _____ happening right here.

Josh cmtd pb sublets on AT&T like made don't they tom? Laughter. Allen really I know tom's going to be profiteering-- I don't think there's any profiteering going on by the people in this program—that's not the program set up for—and if they come up with some scheme where they can u know make a ___ology smoke off sign you know-- _____ I don't think –that's an entire wrong idea—several talking at the same time. No profiteering –I think we should be able to think about a way to say that in a sublet is that

you know, we're not here to make—somebody said no profiteering. Several talking at the same time. Richard cmtd ___ hiring somebody that's going to move onto another property they shouldn't have a windfall profit if they detoured no caps—allen cmtd clearly vacation rentals shouldn't—I would say that's not going to even be in there I mean you can't rent it to vacation rentals—several talking at once.

Kim cmtd and this is happening; las palmas I know of a circumstance. This happens all the time in affordable housing where they're leasing it out. And they just get around it. So it's hard to—allen intrpd that should be immediate grounds for expulsion from the program if they're profiteering off the program. John cmtd it's something that you can't have a lot of staff work attached to this like qualifying people; you're still going to have some staff work for the six months period. Somebody asked why is it six months to rent? john contng it's worth repeating—hang on a second—there isn't any ___ parenting ___ they did say basically that whoever they rent to has to qualify for this much income. You don't have to verify it, but that's all they could get. Sw asked but are you capping rent too? John repl yeah that's the point. Sw cont so you're capping—you want a provision in there with a rent cap—how much they can charge—and also who they can rent to? Are you saying that as well? John repl no, I'm saying put a rent cap in there. Sw repl and just say we'll ___ FMR? Tim repl my personal thing would be they couldn't rent unless there were special circumstances in terms of medical situation—maybe they're moving out and they need six months rent—they're moving to Arizona and they're going to you know—they want to move it and they can't sell it and they would rather rent it rather than take the hit on it whatever, I wouldn't let them do that. Allen repl well what a renter can do in six months can be very expensive.

Sw repl so what you really want to do is have—tim repl well its up to them to get the right deposits and—sw cont the bldg sublet is going to be at the discretion of the land trust. Allen stated well say again why six months in any one year? It could be a whole year—it could be six months in one year and six months in another; you could have a whole year of rental there. Tim cmtd I wouldn't put past them? Maybe they need a rent for a year—maybe the market is really bad and maybe they're trying to sell it—maybe they want to get out and ___ -- allen stated well that would be a special circumstance. It seems to me that you could figure out a way to do in a year man—you'd have a whole year rental with no. tim repl no, I would say zero months. Sw repl so you want it to any instances of subletting would be brought to the land trust. Tim cmtd I wouldn't do it—several talking—alan repl that's what I would say I can't envision—yeah—tim cont'd when you talk about homeowners this is something like homeownership and sometimes homeownership in my opinion is you could abuse the rules??—too many talking—can't know who is saying what. John cmtd well it's subsidized occupancy—homeownership. Allen stated well we're saying it's permitted under special circumstances so its not like its not permitted but putting any time with—I can just figure out schemes that they could come up with to do that—what else—that there should be no profiteering and under special circumstances subletting is permitted.

Josh asked what is the county's policy on that—do they have one? Sw repl I don't know if they have one or not. Tim cmtd they've screwed up that's why ___--john cmtd you're debating it and they're considering a 30 year maximum and I expect the board to—too many talking again—tim cmtd they've given ownership ___--they give 100%; they give away social?? Security. Sw repl yeah they do. Several talking at one time. Somebody said less than 30 years. Jim cmtd the last thing I saw was 30, did they change this last night? Sw repl there are lots of jurisdictions—no—there are two jurisdictions in this county that are allowing some windfall profits to inclusionary housing sellers and they've been—having—some of that money go back into a trust fund, but our concern at our staff level has been the land is disappearing so how are you going to replace these units so in this particular county where land is at a premium and it is very hard to find available land and its very expensive to find available land that you should—the units should be as affordable for as long as possible period. Tim cmtd that's what we said. Sw repl absolutely and so other jurisdictions are not of that same mind. Tim stated we have a resolution that said as long as possible you know within the guidelines of the program. Sw repl my words exactly.

Jim stated is there any—as a public agency versus a nonprofit—as you know there is a nonprofit that recently building that was having a termination clause after 5 years—yeah after _____ and then it was if they add anything after that. John repl ___ watching their county very hard too to make all of the county properties that are no presently in perpetuity to 30 years. Jim repl for profit you know—sw repl so its just the nonprofits that this housing is—if you want to look at it that way also because we're always going to have to have more inclusionary housing; there's ambag required which doesn't allow housing to be available and they take that out of their inventory—they've got to redevelop some more so—I don't know where they're going to get the land to do all this new development for inclusionary housing but—tim cmtd carmel valley—laughter. Alan cmtd we aint starting that war tim. Laughter.

Sw stated okay how you deed it? We've got enough comts on this one right? Several talking. tim repl until we get a better one. Sw repl okay maintenance—should the model impose additional maint requirements? Should homeowners be required to pay into a maint reserve? Who will manage the reserve? Who will inspect the units? And how often should the unit be inspected? And what remedies could be used? So if they don't maintain it then what do you do? Tell them you'll kick them out and force them to sell or you do what? So these are some of the questions that come up on the maint—because you are—you know you are going to be concerned that its maintained but then again they're buying the unit; they're buying the mortgage—we own the land—so how far—how much micromanaging do we want to do under this model so what we—there again—you'll see that we keep referring to the thing that is the least intrusive on these other items. We want to do an inspection prior to sale; we want to have the ability to reduce the sale's price due to excessive damage or deferred maint to the point that homeowner comes in for the resale calculation whatever formula we're using—we can make an adjustment downward based on the condition and of course they would be completely aware of this so that may or may not an incentive for them to do the maint. There will be no regular inspections but you might want to consider annual drive-by inspections just to check the general condition and you don't—again want the owner to feel like a renter with continuing inspections so—that's where we sat on this issue.

John asked in a condominium of course we would have the ability to make somebody at least maintain the exterior and to some degree ___ conduct. Sw repl right you'll have the homeowners association and they'll pay fees and then they'll be—john stated you might want to think about that model a little bit if somebody—if they don't maintain the interior it doesn't really affect the whole neighborhood that much but with one caveat they'll get ___ and affect but if they don't maintain exterior then it does affect everybody else. The inquiry of caveat I have it—suppose you get six families in there ___ they don't violate—sw repl you can have a deed restriction on occupancy and if they did not—if they were in noncompliance with that then you could exercise foreclosure I guess. allen cmtd those will allow you to have more people in the houses. Sw repl there's codes but the problem with the codes is that the jurisdictions are varied ___ in enforcing the codes because it creates homelessness so if you report the code and its got six families in a unit and you kick five families out on the street then they're going to look pretty bad by kicking five families out on the street so they have no _____ that would house them. So that code enforcement is not really utilized by almost all jurisdictions—not just here but in other states as well because—

Alen cmtd well we're starting a contract so this initially is under our contract they have to meet the code or they can't have any—that kind of —I mean that's the whole point that you're making now—we're writing the contract that these people are tiedup—if they say they are going to move in four of the families to pay the rent off I think its approved?? Somebody said exactly it's not what we're looking for. several talking at once. Sw cmtd well again are you getting more into a landlord's tenant relationship? Allen repl no, we're writing a contract that says that if you've fouled out of the program, you're not going to move four families in to help you. Sw repl and what's your remedy? Allen well I think the remedy—if they don't meet the rules, they get kicked out—I mean they need to have the consequences of all of this too—I mean—tim stated well I say the remedy is technically—we couldn't kick them out—the remedy is if you lien whatever equity is built into it and so that whenever—allen repl it doesn't remove the issue though. Tim repl well it does eliminate whatever damage is caused by the internal—by having the

people in sight. Too many talking at once. Sw repl because your resale value selection is off the board to limit your equity anyway. Allen cmdt you just keep five or six cars out in front of a building and you're going to be all kinds of —john cmdt yeah but suppose there's a mother, father, brother, sister, adult kids? Allen repl there's still one thing if your occupancy is based on established code to have limited people per bedroom, per house, per whatever—I'm just saying we need to have some ___ basis for that.

Sw repl so you're going to force them to sell their home. Alan repl well we got to be careful about putting—too many talking at one time—alan cont you got to be real careful about having people get out based on the _____ --allen intrpd the legal square footage it takes per person—the state is 74 feet per person. Alan cmdt state is 1600 square foot out to figure out how many people you can put in a house – legally. That's not the way we want to go. Sw repl _____ based on what. Too many people talking. sw repl what you could do—if you've got silent seconds and silent thirds on there at the end of those silent seconds and silent thirds you could put a mechanism in there that's due and payable so that's one way to do _____. Okay you're in violation—let's say we kick back a \$30K on the deed restriction, right, and we say okay if you're violating this, we can—this payment will be immediately due and payable. Allen repl that's right. Sw cont so you could make –in your decision you could –you need to make statements like that that say that this will be due and payable; you cannot file an additional lien but you can—tim repl but one thing he qualified but then it goes up to another court. Allen cmdt another maint issue that's very important—a deed restriction is going to be very important when we start this—I mean what you're talking about with this whole idea of a land lease model is it mobile home park—hopefully they stay a few and the same kind of a thing—tim cmdt but they can eventually bounce—once its all paid for they'll bounce a payment. Sw repl and they don't have a figure on some of the land?? Tim repl mobile home park they jack the rents on them so either they have to stick and it will go away when you pay off??

Josh asked what is in the contract at calif state univ that's going to be the model that we're using, isn't it? We own the land, they own the property for a period of time—it's only been working at the university; once they leave they have to turn the property back—within a year—they have a year to remain there. So getting back to what you guys was talking about _____ most noticeable—I think it got a lot of newsplay when that person put a flagpole outside of his bldg—outside of his home—and the association bought him out; I mean he had nothing to say about it; he fought it and things like this but then take your audit?? But that was something that _____ (TAPE OVER) _____ -- boom kicked him out. Alan cmdt sent him packing. Josh cont. sent him packing and there was a lot of talk about that—one page article and stuff like that but they said the heck with you, you get out of here.

Jim cmdt well its true—there's more to the rule—the property transfer that occurred in the least model was a ___ education—was really federal property and its still maintained as a federal property. Josh asked you're talking about out here at California state. This wasn't the one I was –alan repl no, this was private. Josh cont its private property—and my son lives out at las palmas and you have to go thru the assoctn for just about everything that you actually do—you can't paint. tim asked he's the landowner? I was going to say in getting back to—I mean I'm a landowner, I have the same issues. I have to go to my home assocn for everything. Allen cmdt our homeowners assn has a board that if someone complains in the neighborhood that that property is not being maintained or the weeds are out of control, the chimney's falling over—somebody interrupting but can't hear—allen cont'd we have language in there that we can go in there and fix it and assess the property owner. _____ so there might be something like that—I'm saying there's a lot of language that homeowners assn law that says things you can do or whatever. I mean this is an individual board, but you know the idea of assessing someone to bring it to the standards, it could be a one time assessment; you could work it out that there's going to be some fees being paid every month on the land lease so there's assessments that can be levied on that basis. If they can't afford it at one point, they could be stretched over a period of time so I think the assessments to maintain a standard now—creating a standard I think is where—if a complaint is initiated by a complaint from a neighbor since this is not—it should be—the complaint should be listed to the board of directors saying we got a complaint about this prop owner and that would be the

instigating factor to go thru this—but having some policies in place maybe _____ what option. That's a long way from kicking them out.

Sw repl even mind that, you're going to have nearly zero cash flow. Okay. The land lease payments are going to be minimal--\$50 a month--\$100 a month—so you're not going to have a lot of cash flow as you go in or capitalization to go in and make any—I mean you're not going to have \$10—15 grand sitting around to go repair somebody's property. Also keep in mind that you've got two types of products we're dealing with right now—you've got condos and you've got a condo arrangements—townhouse arrangements—and then you've also got eleven single family homes that are in scattered sites. at the beginning of your land trust inventory will be these so you're not going to have a homeowners assn on 11 units that you have. Josh asked would it be feasible then to during escrow process ___ to draw a certain amount of money from—as they close in escrow—sw repl we're going to—it's going to be hard work to—there's not going to be a lot of excess cash—we're going to be maxing them out on their 30 to 40% of adjusted gross income as it is so it's going to be—it's going to be a difficult packaging these already so there's not going to be added cash left laying around when these deals close.

Allen asked on the responsibility of the condominium what are they actually own; isn't the condominium entity itself responsible for the exterior and the landscaping and things like that? Kim repl everything but the air—all you buy is the air. Allen repl yeah we're just buying air space so maint shouldn't be necessarily an issue for condos in the sense that you have certain requirements there. Sw repl you'll have a homeowners assn in place; it is going to be a little bit more effective in that respect but you do have to think that you have two different proto types that you're delivering and you kind of want to make your—you know your ground rules for all of them should be relatively similar. How you get to it that's going to be different.

John cmdt good you explained that because I was thinking driving down the street and seeing which one is messy but that's not going to be the situation—sw repl 11 scattered sites—one 28 unit development, private. John cmdt come back a set tho I have a problem with not letting people have their immediate relatives living with them—even if it's a lot of them. Tim repl but you know—if I could make—for the sake of time since we're not making a decision here, I think we can hash out all of these ideas when it comes time to make the decision but for the purpose of this process that we're here today, right, I would like to get to the end to where we sit—where is mchi and where is hacm sit. That's my though—I don't know what you _____ john.

Sw repl okay the featured sketches are you know good for _____ and protest?? I show where we've beaten maint up and now we'll go to the ground lease, the model provides for a minimal lease payment which will be developed using proj specific parameters so some bills are going to have more lease payment _____ them than others but it's going to be definitely very project specific and we recommend the fees will increase annually with the CPI—so that's how we'll control the increases and they're not going to be enough to sustain an entire orgn but will defray the costs of administration and also keep in mind the higher fee the more impact on affordability so I just—this is not a whole lot of discussion points here but just to say—just to let the board know that we're not going to get rich on the lease payments. Any comments on that one?

Tom asked does the land trust have any responsibility for maintenance of street? Sw repl the homeowners assn will. Sw cont so there's a lot of discussion about okay these parameters that you're going to be putting down on this homebuyer and they really should get legal counsel so who would pay for that legal counsel, what legal counsel in the area is familiar with land trst models and there might be a potential conflict of interest if we said okay go to our atty so and so and get counseled on this issue. so there's some potential conflict of interest by doing that. So we decided that we would just—we would attempt to identify free legal assistance for buyers and say here are some attys that could help you—you might want to take your documents in and let them look at them for you and so we would encourage them to meet with an atty but we wouldn't mandate it; we wouldn't say you have to have legal counsel prior to closing the deal. And the documents are understanding the parameters of the land lease such as occupancy—such

as maint such as you know the items we discussed already and then have them sign a letter of acknowledgement saying that they definitely were instructed on those items.

Tom cmtd my son works for a real estate company and I can tell you can get disclaimers and have them sign off—you can do anything—they can always come back and say I don't understand and they will win. Or too many talking—sw repl we're seeing that with moro cojo—somebody cmtd moro cojo is a classic example of that. Never saw the documents. S repl we're saying that we want a letter of acknowledgement so that's—someone's going to sue you if they want to sue you. Tom cmtd if you can get them on a signed piece of paper then that's one thing. You know if you can get them to sign it—is that what you're talking about. Sw repl in the affirmative. yes. Tom cont that would be just—get them to ____ even then—happens all the time. Sw cont that's what we're recommending is that we do a letter of acknowledgement. Kim cmtd and allen you know I think that's why one reason education of this model is so important—we have to really make sure everybody's participating in this understands what they're getting into. Tom repl well they can see it; they can sign it; then they can later say they didn't understand it. Kim repl I understand. Sw repl everybod7y can do that so you can't cure that I don't think—somebody commented I do that here—laughter. Several talking at once. Somebody said condo? I voted for that? Sw repl any other issue—as your'e getting ready to own a home, you're going to sign anything you know—if you own a home so.

Sw cont so here's another –here's a really beefy topic here, organizational structure. We've identified some ar3eas of that need to be considered so –homebuyer education and –I mean homebuyer eligibility and slection.—who are these residents going to be, what's our marketing strategy, who do we target our 8Y—do we target our section 8 people who can use their voucher to purchase which gives them more buying power—is that something that we do you know from a development perspective; I say absolutely yes that's what we do because it will allow us to get a bit larger sale price and the federal govt is subsidizing essentially a second mortgage so I would say that our first targeting would be the 8Y except that in the 11 units that are public housing and the other two moss landing units that we would give the current occupants the first right of refusalxxxxxxxxxxxxxxxxxxxxxxxxxxxx

B. Land Lease Homeownership Model

During the PowerPoint presentation on the Land Lease Homeownership Model, Commissioner Dalessio recommended making the minimum amount for improvements at \$5K; both Boards discussed parameters that might be needed for any homeownership improvements. Commissioners Escamilla and Dalessio along with Director Robinson recommended only income qualified heirs be allowed to inherit the property and over-qualified heirs be required to sell the property to qualified income buyers within a specific period of time. Under Occupancy, the general consensus was to limit rents to no more than the fair market rent and that requests to sublease be at the discretion of the Land Trust. Commissioner Dalessio requested there be a provision to allow family members to move into the house (if low income). Commissioner Stewart suggested looking at the CSUMB land lease model for addressing maintenance issues; Commissioner Escamilla and Director Robinson noted that a Homeowners Association could enforce the maintenance problems. Director Robinson noted that a letter of acknowledgement regarding legal counsel would not prevent a law suit. Director Robinson also voiced concern regarding a limited liability Company. No action required.

C. Future Partnering

Commissioner Stewart expressed concern that there were only three of nine MCHI Board members present at this joint meeting. Commissioner Escamilla stated the Boards need to figure out the relationship between the two Boards. Director Tuttle stated that HACM created MCHI for producing more affordable housing using MCHI's CHDO status and requested HACM provide its goals for MCHI. Director Robinson stated there seems to be a change in direction for MCHI because it has not been successful in some

development deals. He stated MCHI could be a conduit for funding for HACM developments and could subcontract MCHI in some of those deals that MCHI initiates. Ms. Stemler agreed with the MCHI Directors and stated that MCHI could serve a broader income range of residents and if the two Boards do not agree on something, they need to come together in a meeting on the issue. Commissioner Stewart suggested MCHI Board add structure to their MCHI agenda. It was agreed by both Boards that HACM and MCHI need to have another joint board meeting after HACM provides goals and expectations for MCHI for the next one, five, and ten years so MCHI can respond. Director Robinson recommends doing this soon or they will lose out on some opportunities. Commissioner Dalessio and Director Robinson suggested working together on a joint policy statement that can be provided to the County and City officials so CHISPA will not be the only housing advocate in the area. No action required.

COMMISSIONER COMMENTS: None

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 6:12 p.m.

Chairman

ATTEST:

Secretary

Date