

NDUM

Date: August 23, 2006
To: Housing Advisory Commission
From: Carolyn Watanabe, Housing Project Manager
Re: Election of Chair and Vice-Chair for 2006

The HAC By-laws stipulate that the terms of office for Chairperson and Vice-Chairperson shall begin on April 1st each year. Candidates have in the past been chosen in order of District. This past year Chairperson Sheri Damon and Vice-Chairperson Andy Schiffrin represented District 2 and District 3. For 2006 the Chairperson traditionally would be chosen from District 3 and the Vice-Chair from District 4.

District 2 Commissioners: Andy Schiffrin (current Vice-Chair)
District 3 Commissioners: Carl Sprague

Commissioners shall elect a Chair and Vice-Chair for 2006.

MEMORANDUM

Date: August 23, 2006

To: Housing Advisory Commission

From: Erik Schapiro

RE: Affordable Housing Guidelines Changes Summary

From time to time, staff recommends changes to the Affordable Housing Guidelines in response to issues that arise as part of implementing the Measure J program. This memo identifies a number of modifications for HAC's consideration that would help improve program administration. These modifications involve primarily minor technical changes, editing and rewording. The proposed changes do not have a substantive impact on the program, do not have a material effect on Measure J owners, and will help facilitate improved public service and enhanced program administration. Staff would like to forward a Recommendation on this matter to the Board of Supervisors in September. A summary of the proposed changes follows:

Definitions

The current Guidelines do not have a definitions section of the common terms used in the document such as: "applicant", "principal occupant(s)", "head of household", "purchaser", etc.

Recommendation: Add a new section to the beginning of the Guidelines to identify and define the commonly used terms.

Household Size Eligibility Requirements

The current household requirement that there be one more household member than number of bedrooms is overly restrictive and may force a single parent to share a bedroom with one of the children or may force children of opposite gender to share a bedroom. As a result, there are constant exception requests that must be handled by staff on a case-by-case basis.

Recommendation: Revise this Section so that the number of persons per bedroom be consistent for all unit sizes and the minimum size equals the number of bedrooms in the unit. Also, exceptions to the household size requirement would become more stringent and only be granted in unique situations with compelling justifications.

"First Time Home Buyer" Program Definition

The definition of a "first time homebuyer" in the Guidelines cross-references the definition included in the County's First Time Homebuyer Program Guidelines, which is a completely separate document.

Recommendation: That the Guidelines incorporate the definitions and exceptions for a "first time homebuyer" that is incorporated into the County's First Time Homebuyer Guidelines.

Exceptions to "First Time Home Buyer" Requirements re: Senior Units

The FTHB requirement for senior projects has proven to be problematic because it has been very difficult to locate senior first time homebuyers. Most seniors interested in living in a seniors-only complex either have an existing home and they are downsizing, or, if they do not own a home, are not likely to be able to afford to purchase a home for the first time.

Recommendation: Amend the Guidelines to provide for an exception to the first time homebuyer requirement for "senior only" developments under Measure J.

Exceptions to "First Time Home Buyer" Requirements re: Current Measure J Owners
Currently, Measure J owners can purchase a larger Measure J home, provided they meet all eligibility requirements other than the first time homebuyer status.

Recommendation: Expand the exemption to any current owner of an affordable unit from the "First Time Homebuyer" requirement based on changes in other household conditions.

Determination of Income from Assets

Currently, income from assets is indexed at a fixed rate of 8.5 %. The 8.5% figure was adopted years ago when it was reasonable to assume that 8.5% was a reasonable return on investments. In today's market, 8.5% is too high and it overstates the income derived from assets.

Recommendation: Amend Guidelines so that income from assets is indexed at a rate equal to average mortgage interest rate from Freddie Mac's "Weekly Primary Mortgage Market Survey" used in the Measure J Resale Formula instead of the fixed 8.5% rate.

Resale Price Calculations and HOA Dues

The formula used to establish the Measure J resale price includes a number of factors such as median income level, prevailing interest rates, direct housing costs, and HOA dues. While the formula includes various factors that fluctuate over time, the way in which HOA fees impact the pricing formula unfairly disadvantages owners of attached Measure J units. As HOA dues increase, the Measure J price is proportionately decreased. For example, a unit with \$100/mo HOA dues would have a purchase price of \$13,000 less than a Measure J unit with no HOA dues. As HOA dues increase, the purchase price decreases at this same ratio of \$13,000 for each \$100 increase.

Recommendation: Limit the amount of the HOA dues that are included in the pricing formula to the 2006 HOA fee as of September 1, 2006, plus an annual COLA increase based on CPI. If there were a decline of HOA dues, the lesser amount would be used. For new units, the actual amount of HOA dues would be used and become the base amount with the same formula for the annual COLA increases.

Adjustments to Resale Price

Currently the Guidelines state that in calculating a Measure J home interest rates, a 30-year fully amortized fixed-rate should be used, and rates should be calibrated twice per year.

Recommendation: Rewrite the Guidelines to specify that interest rates will be set annually, and be based on an average of the previous twelve-month's mortgage rates from Freddie Mac's Mortgage Market survey.

Actively Marketing Units

There is no provision limiting the time period that a Measure J unit maximum resale price is valid after it is set due to a pending sale or refinance.

Recommendation: Add a new subsection to specify that the maximum resale price is valid for a sixty day period with extensions for active marketing efforts or for pending transactions at the discretion of the administering agency.

Maximum Mortgage Debt for Existing Units

The Ordinance specifies that Measure J owners shall not use their property as collateral for an amount exceeding the maximum unit sales price. However, there is no provision for loan-to-value ratios for refinancing a Measure J unit. A 90% loan-to-value ratio is within customary lending limits for refinances.

Recommendation: Add a new subsection to the Guidelines to explicitly require that the loan-to-value ratio for refinances not exceed 90% of the Measure J resale price, calculated at the time the refinancing is being processed.