REGULAR MEETING OF THE REDEVELOPMENT AGENCY AND SPECIAL JOINT MEETING WITH THE CITY COUNCIL

MAY 10, 2005

The Redevelopment Agency and the City Council of the City of Costa Mesa, California met in a Joint Meeting on Tuesday, May 10, 2005, in the Council Chambers of City Hall, 77 Fair Drive, Costa Mesa. Chairperson Dixon, who also led the Pledge of Allegiance to the Flag, called the meeting to order at 7:03 p.m.

ROLL CALL

Agency Members Present:

Chairperson Dixon
Vice-Chairperson Bever
Agency Member Foley
Agency Member Mansoor
Agency Member Monahan

Officials Present:

Executive Director Lamm
Agency Attorney Hall Barlow
Neighborhood Improvement Manager Ullman
Management Analyst Penalosa
Management Analyst Veturis
Finance Director Puckett
Accounting Supervisor Young
Financial Consultant Head
Agency Special Counsel Brady
Executive Secretary Rosales

POSTINGS

The Joint Redevelopment Agency/City Council meeting agenda was posted at the City Council Chambers, Headquarters Police Department, Neighborhood Community Center, Postal Office and Mesa-Verde Public Library on Thursday, May 5, 2005.

MINUTES

On a motion by Agency Member Monahan, seconded by Agency Member Mansoor and carried 5-0, the corrected minutes of April 12, 2005, were approved.

Old Business

None

New Business

Proposed Modifications to the First Time Home Buyer Program

Neighborhood Improvement Manager Ullman presented her staff report and urged Agency Members to consider the following modifications to the First Time Home Buyer Program:

1. Increasing the home purchase price cap from \$515,000 to \$608,000.
2. Increasing the subsidy/assistance cap from \$40,000 to \$240,000.
3. Eliminating the caps that limit the contribution of Agency assistance and homebuyer down payment to 20% of the purchase price.
4. Lengthening the covenant from 10 to 45 years (recently extended by the California Health & Safety Code).
5. Lengthening the Agency loan term from 30 to 45 years to coincide with the covenant term.
6. Eliminating the requirement that the participant repay the Agency assistance, plus 5% interest between the 10th and 30th year of the loan. In its place, participants would be required to repay the principal balance of the Agency assistance, without

interest, and pay a share of the equity appreciation when the unit sold at the unrestricted price at any time during the 45-year loan and covenant term.

Ms. Ullman stated that staff was present to answer their questions. A Power Point presentation was also available but Agency Members decided to forgo the presentation.

Agency Member Mansoor referred to page 7 of the staff report and asked under what recommendations did providing assistance on an annual-basis instead of upfront, fall under (Items 3a and 3b). Ms. Ullman responded that upfront assistance was not being requested due to the likeliness of the home not being owned for the full 30-year mortgage period. Instead, the recommendation was to provide assistance on an annual basis. Items 3a and 3b did not fall under any of the recommendations because no change was needed.

Agency Member Bever referred to Page 4, Item 2b, Section "I". He asked what would happen after the 45^{th} year if there was a cut-off. Financial Consultant Head explained that when the unit sold at the fair market price to an unrestricted family, and the covenant and loan periods were over, the Agency would still be repaid and equity-share could be discussed. Agency Member Bever spoke in support of equity-share because it gave the City viable funds to return to the program.

The question of whether the repayment provision would "kick in", if the house were to pass to a spouse or family member, was posed by Agency Member Bever. Ms. Head responded that a transfer of ownership, in the case of death, would not take place if the house went to a spouse. With regards to passing the house to a family member, she deferred the question to Agency Special Counsel Brady. Ms. Brady stated programs were structured so that a transfer upon death could be an exception or allowed to be assumed, as long as it stayed in the family. Some communities identified transfer upon the death of the owner, as a transfer for payoff purposes of the junior lien (equity and principal repayment). Staff would request Agency direction regarding the structure. Ms. Ullman added that under the Single-Family Rehab Program, the subsidy was due when a transfer of ownership took place.

With regards to Agency Member Bever's previous query pertaining to status after a 45-year cut off, Ms. Brady stated it varied from city to city and program to program, due to structuring options the Agency had. Staff could provide direction on taking only the equity-share, how many years beyond the 45^{th} year before a property would be clear and released of liens, as well as, "earning off" and forgiving $1/45^{th}$ of the subsidy each year.

Agency Member Bever asked if the subsidy would be payable in cases where a homeowner refinanced the first mortgage or decided to roll the first and second mortgages together. Ms. Brady advised that refinancing, solely to get a better interest rate on the first mortgage, would not cause acceleration. However, drawing cash would be considered a transfer, and acceleration would be due. Agencies that structure such programs have choices that are set forth in the statutory scheme (15 year vs. 30 year mortgages, transfer acceleration, etc.).

Agency Member Bever then asked if a provision could be added stating that an amount, equal to the first, become payable into the second mortgage if a buyer fulfilled their first mortgage. Ms. Brady concurred and added she had structured a program that evaluated the ability to pay on an annual basis, beginning with year five. The Agency, however, would have to make a decision, as it was an administrative task

Agency Member Bever stressed there was plenty of latitude and asked if the Agency would be giving direction tonight. Ms. Ullman urged the Agency for direction in order for staff to implement the program in September.

Agency Member Mansoor asked if the recommended action was approved, would Agency Member Bever's direction require specific Agency direction or if it was time-sensitive. Ms. Ullman preferred receiving specific action but stated it was up to the Agency. Ms. Brady could also draft documents, with provisions included, and staff could return in August; however, this option would cause a delay in the program. Agency Member Bever asked if his direction could be approved in concept in order for staff to begin preparation of the documents. Ms. Ullman confirmed Agency Member Bever's question.

Agency Member Monahan noted that the first recommendation increased the purchase price to $608,000. He asked if it was the median figure and for what year. He did not want the City to be in the situation where it was raising the median and it was still be behind. Ms. Ullman confirmed the median figure and Ms. Head stated it was the median figure as of December 2004.

Regarding the share of equity appreciation payback figure, Agency Member Monahan asked if it had been compiled and if it was stated on the staff report. Ms. Head confirmed that the figure, which was the percentage that the Agency's assistance represented of the original price of a home, had been compiled and said figure appeared on the staff report. Agency Member Monahan spoke in support of acceleration (going from a 30-year mortgage to a 15-year mortgage) because it was a prudent financial motivator for the buyer.

Agency Member Bever asked if the Agency had to vote individually on each additional point, or if they could move to add each point. Ms. Ullman suggested the Agency approve the six recommendations because they formed the basis of the program and stated that additional points could be added.

Agency Member Bever questioned why there was a maximum 20% down payment. Ms. Head explained that under the existing program, the maximum, which was the combination of the Agency assistance and homebuyer down payment, could not exceed 20%. New recommendation #3 would limit the homebuyer down payment to 20%, to prevent buyers from financing a house with cash (to avoid a first trust deed mortgage), taking the second and qualifying as moderate-income because they no longer had the assets.

PUBLIC COMMENT

Chairperson Dixon opened the session for public comment. There being none, the public comment session was closed.

MOTION

Agency Member Bever made a motion to approve the recommended actions, allow conversion to a 15 year mortgage without any implications regarding the loan, and the Agency regain its assets regardless of what year a property was transferred. Agency Member Mansoor seconded the motion.

Agency Member Foley requested clarification as she thought allowing acceleration meant the mortgage became payable. Agency Member Bever clarified there would be no implication on the second mortgage. Agency Member Foley understood how that would be helpful to the owner and asked what the implication to the City was. Ms. Head explained that because the refinancing did not entail drawing cash, but merely changing the payment to pay off the first trust deed earlier than on a 30-year mortgage, there would be no implication to the City. Ms. Ullman added that an indirect implication to the City was if a member of the public could refinance to a 15-year loan, why they were using their cash to payoff the 15-year loan instead of repaying the City's loan. The advantage was the City would be repaid sooner. With so many loan vehicles that were available, specifying a 30-year loan, would limit some people. Ms. Brady advised that in the 15-year context, the homebuyer had the financial ability to pay a larger mortgage on a monthly basis. In said fact pattern, arguments existed which said the homeowner had the ability to pay off the second, in order to refinance to the 15-year mortgage; therefore, acceleration would occur. It was ultimately up to the Agency to provide direction either way.

Agency Member Foley asked what protection the City had for ensuring that people needing an affordable program would be using it. Ms. Head explained the original sale had to be done at an affordable housing cost. Recommendation #4 stated every homebuyer was required to obtain the maximum loan under traditional underwriting standards. Setting a cap of $240,000 did not mean the Agency would be giving participants that amount. Every loan would be evaluated on the ability to pay by each individual household. Agency Member Foley asked if a homeowner could turn around within six months and do a 15-year mortgage. Ms. Head explained that in order to maximize the first loan, program guidelines would be set up for a 30-year mortgage at an affordable cost; therefore, in the beginning, a 15-year loan could not be attained.

Agency Member Foley inquired about protection cities had to prevent someone from working the system. Ms. Brady stated the conservative way was acceleration upon refinancing, unless it was for the 30-year mortgage at a better interest level without drawing any cash. Otherwise, it would be acceleration alone and repayment of the second (a maximum of $240,000). Agency Attorney Hall Barlow added that implementing a program that reviewed the ability to pay after a period of time, would be beneficial to the City. If refinancing were allowed, the City might be in a position to get earlier repayment.

Agency Member Monahan stated that with all the loan packages that were available, he did not want to specify 15 years only, and added that the motion should specify, "refinance to a lesser term." Ms. Brady asked if the motion would include refinancing to a 15-year mortgage that would not cause acceleration of the loan. Agency Member Monahan wanted the homebuyer to have the ability to refinance the loan without the repayment of the second loan "kicking in". He reiterated and asked if 15 years had to be specified, considering the various loan packages that were available. Ms. Brady advised the Agency could delegate within the Program's Policies and Procedures of the Executive Director, to have the ability to make waivers, interpretations, and evaluate on a case-by-case basis. Requests for refinancing, where cash would not be drawn and only the terms of the monthly payment were being modified, would be evaluated on a case-by-case basis. Ms. Head supported Ms. Brady's statements and added the Agency could also implicitly ensure that the homeowner was not overpaying. Ms. Ullman added that staff would work with the underwriters to underwrite the original first loan, if someone wanted to refinance.

Agency Member Monahan made the comment that homes selling in the Eastside were "teardowns". He posed the question, if a homeowner was refinancing, could additional cash be drawn for home improvement? Ms. Brady stated she and Ms. Head would agree that at the present, no programs were drafted that allowed homeowners to draw cash even for home improvement. Ms. Head added that improving the home (equity that the homeowner invested in the home) would become the priority rather than repaying the Agency's second. Ms. Brady explained that programs were structured so that capital improvements were deducted from the equity-share. The equity would be exhausted if the Agency allowed the homeowner to draw cash for home improvement. Agency Member Monahan voiced concern with homes deteriorating over time because the homeowners could not afford to improve them.

Chairperson Dixon asked if it was possible to allow the homeowner a one-time draw. Ms. Head stated there were a number of issues for discussion and emphasized the importance of keeping the homebuyers at affordable housing costs. She did not want to see the homebuyers in a position where they could not afford their various mortgage instruments. If the loans foreclosed, the Agency would be in a junior position.

Agency Member Bever offered a solution and asked if it would be possible, at the onset of the process, to roll in funds for home improvement at the outset. Ms. Head intercepted and asked if Agency Member Bever meant that as long as they stayed within the $240,000, could they allow partial funds to be used towards home improvement. Agency Member Bever further explained that if a person qualified for only $150,000 in support and an assessment of the home revealed that it needed $10-$15,000 worth of work, could that amount be rolled in and added to the amount they qualified for. Ms. Brady thought it could be done and said it added a number of administrative evaluation layers, almost crossing over to the Single Family Rehab Program, which was already pretty labor-intensive. She deferred to the Agency and staff to decide if they had the wherewithal at the current staffing level to do that.

Chairperson Dixon asked Ms. Ullman if she could answer Ms. Brady's question. Ms. Ullman said it would take a certain amount of expertise. Staff could review receipts but felt it would be best to have a Rehab professional review it. She was not anticipating many loans because there was not a lot of money. A system, using current Rehab staff, would have to be developed to review each of the projects should they be rehabbed.

Chairperson Dixon felt the Agency was asking questions that staff had not been allowed to research. She did not want the Agency making decisions when they had not been given the time.

AMENDED MOTION

Agency Member Bever said Agency Member Monahan raised a good point in that many homes were fixers. In the Agency's zeal to do a good deed to help people, he did not think it was constructive for the community to place people in substandard housing and then have the neighbors resent them because they could not draw money to fix their homes. If the maker of the second agreed, Member Bever was willing to add to his motion that staff design a provision to help rehabilitate a home, if need be, and money was available in the transaction. He also wanted to add a provision that the City begin collection of the second loan at the time the first loan was paid off. The City would start collecting, in the 16^{th} year, an amount not to exceed the payment that was being made.

Agency Member Bever further stated that in the spirit of simplicity and to keep staff work to a minimum, staff would only monitor the loans. When the first loan was paid, the City would start billing for the second loan without having to look at every house every year. He was going to ask one last question but Chairperson Dixon intercepted and asked if it was a question or an amendment to the motion. Agency Member Bever stated the two points were amendments.

Agency Member Foley asked Agency Member Bever to clarify the second part of his amendment. She asked if he was recommending that the City collect on the second loan at the time of the refinance or after the refinanced loan had been paid off. Agency Member Bever clarified the City would step up and begin collecting on the second when the first loan was satisfied. He added that acceleration would be advantageous to the City because they would get their money sooner since collection would begin on the 16th year.

Chairperson Dixon asked Agency Member Bever if he had another point to his motion or if those were the only amendments to his motion. Agency Member Bever responded those were the only amendments to his motion if the maker of the second agreed. Agency Member Mansoor replied it was fine with him as long as staff believed they had the ability to facilitate it.

Ms. Ullman stated staff would check with their underwriter who might have construction staff to contract with and review the rehab. Staffing would have to be reviewed at a later date.

Chairperson Dixon requested that if there was a problem, staff bring back specific points to the Agency to revise the motion. Ms. Ullman agreed.

SUBSTITUTE MOTION

Agency Member Foley made a substitute motion to approve staff recommendations. Chairperson Dixon seconded the motion.

Agency Member Foley stated the First Time Home Buyer Program was intended to be an affordable housing program. Increasing the amount to $608,000 was sufficient for a first-time homebuyer to get a home that would provide stability. She expressed concern with regards to the extra additions, as she felt it would put people in the position of over borrowing and creating a situation where it was no longer an affordable housing First Time Home Buyer Program but rather, a creative way to get a good loan.

Failed

Substitute motion failed, 3-2. Agency Members Bever, Monahan and Mansoor voting no.

Agency Member Monahan said he did not support the substitute motion but would be supporting the original motion due to personal experience. Many people move into their first home with no intentions of moving. He would hate to take that away from the possibilities, considering the price of homes nowadays.

Agency Member Bever said he understood the Agency's assistance was based on the maximum loan that a homebuyer was able to qualify for. By virtue of the process, the City was putting homebuyers in a position where they did not have further credit available because the City was capping them out. He felt it was reasonable to build-in flexibility at the outset.

Chairperson Dixon stated she would support the amended motion because she wanted to get as many people into home ownership.

AMENDED MOTION
Approved
Carried

The amended motion by Agency Member Bever and seconded by Agency Member Mansoor, to approve staff recommendations, direct staff to design provisions for rehabilitation of a home if money was available in the transaction, and the City begin collection of the second loan at the time the first loan is paid off, carried 4-1. Agency Member Foley voting no.

Annual Budget Adoption

Finance Director Puckett reported that the recommended action was adopting a resolution approving the proposed Budget of the Costa Mesa Redevelopment Agency for the fiscal year 2005-2006. The Agency's proposed $3.3 million budget was outlined in the staff report. A short staff presentation was available, or, staff could respond to questions based on Agency direction. The Agency decided to forgo the presentation.

Agency Member Mansoor referred to Page 2, bullet-point 2 of the staff report. He asked what the Agency's interest and principal balance for the promissory note was. Finance Director Puckett reported the projected balance as of June 30, 2005, was $12,481,842. He added that said amount would be paid off within the time period the Redevelopment Agency had to capture tax increment within the Project Area. Agency Member Mansoor asked what the time period the Agency had was. Finance Director Puckett advised the Project Area would continue to capture tax increment through the years of 2023-2024. Agency Member Mansoor commented it would be fully repaid by 2023. Mr. Puckett concurred.

Agency Member Mansoor questioned bullet-point 3 and asked for a history regarding the repayment. Finance Director Puckett deferred the question to Executive Director Lamm or Neighborhood Improvement Manager Ullman.

Executive Director Lamm reported there was a time period when the Agency was not subject to State law, which required that 20% of tax increment money go to housing. In 1994, however, amendments were made and as a result, the Agency was now paying back 20% of the money that it did not set aside for housing during certain years.

Agency Member Bever referred to the Single Family Residence Rehabilitation Administration figures on Page 2 of 3. He asked staff if the City was doing what the figures were representing and spending $168,155 to administer $27,000 worth of loans and grants. Mr. Puckett deferred the question to Ms. Ullman.

Ms. Ullman reported the figure was not just reflective of processing loans and grants. All HOME administration, as well as, the salaries of two full-time staff were charged to the Redevelopment Single Family Residence Rehabilitation Program because the costs improved and preserved affordable housing. It was easier to charge said costs to the Agency rather than the HOME Program due to Federal regulations and a variety of paperwork that was labor intensive.

PUBLIC COMMENT Chairperson Dixon opened the session for public comment. There being none, she closed the public comment session.

MOTION On a motion by Agency Member Mansoor, seconded by Agency Member Bever and carried 5-0, the RESOLUTION APPROVING THE PROPOSED BUDGET OF THE COSTA MESA REDEVELOPMENT AGENCY FOR FISCAL YEAR 2005-2006, was approved and adopted.

REPORTS

Executive Director None.

Agency Attorney None.

WARRANT RESOLUTION CMRA-335 On a motion by Agency Member Mansoor, seconded by Chairperson Dixon and carried 5-0, Warrant Resolution CMRA-335 was approved.

PUBLIC COMMENT Chairperson Dixon opened the session for public comment. There being none, the public comment session was closed.

AGENCY MEMBER COMMENTS AND SUGGESTIONS Agency Member Bever commented he was happy the Agency was moving forward and bringing the First Time Home Buyer Program to a condition where it would function for Costa Mesa residents. He looked forward to seeing new people in new homes.

Agency Member Monahan made a request that the Executive Director and Agency Attorney review Agency Agendas for the same consistency as City Council policies.

ADJOURN TO JOINT MEETING WITH CITY COUNCIL

At 7:45 p.m., Chairperson Dixon adjourned the regular Redevelopment Agency meeting to a Joint Meeting with the City Council. She conceded the Chair to Mayor Mansoor.

ROLL CALL

Council Members present: Mayor Mansoor
Mayor Pro Tem Monahan
Council Member Bever
Council Member Dixon
Council Member Foley

OLD BUSINESS

Update and Status of Proposed Project at 1938 and 1942 Anaheim Street; Direction on Preparation of Fund Reservation and Cooperation Agreement between City of Costa Mesa ("City") and Costa Mesa Redevelopment Agency ("Agency"); Direction on Preparation of Pre-Development and Fund Reservation Agreement between Agency and Mary Erickson Community Housing/Affordable Housing Clearinghouse ("MECH/AHC")

Ms. Ullman gave a status report on the MECH/AHC Project and requested Agency direction on how to proceed due to latest information received by Staff. Due to the complexity of the subject matter, a Power Point presentation was made that included background history, a cost analysis summary on property acquisition, relocation, construction and rehabilitation, total project costs, decrease in project revenues, and project financial assistance. The staff report was also reviewed.

Mayor Mansoor asked Ms. Ullman to restate her comment regarding consideration of the $1,000,000. Ms. Ullman stated there was escrow and carryover money in the First Time Home Buyer Program. If the Agency combined the $600,000 of Redevelopment funds used towards the MECH/AHC project, with the funds already going to the First Time Home Buyer Program, they would get 1 or 1.8 million dollars. If the new First Time Home Buyer Program proved to be unsuccessful, the money could be reallocated later in the year.

Mayor Mansoor stated Ms. Ullman's explanation applied if the Agency went with Alternative 3. He further asked Ms. Ullman why she was cautioning the Agency in regards to transferring the $600,000 MECH/AHC Redevelopment funds into the First Time Home Buyer Program, if the Agency went with Alternative 3. It was clarified that if the new First Time Home Buyer Program were unsuccessful, the program would have close to $2 million dollars. Given the lack of anticipated demand, the only caution was that staff would have to return to the Agency with recommendations on how to reallocate the money.

Mayor Pro Tem Monahan emphasized concern and asked if the Agency would lose $350,000 if they went with Alternative 3 and Alternative 4. Ms. Ullman reported it would be difficult to use CHDO funds if the Agency did not go forward with a rental or home ownership program for low-income. Staff did not have time to reserve said amount for another project. The $350,000 would be lost and returned to the Treasury.

Council Member Foley asked if a long- term irrevocable covenant would decrease the cost. Ms. Head confirmed the cost would be decreased by about $33,000 a unit.

Council Member Foley further asked if there were any WISH or CalHome impacts on the homebuyer's application for having non-irrevocable covenants. Ms. Head advised there would be none because WISH and CalHome programs were set up similarly (with buyouts).

Mayor Pro Tem Monahan asked MECH/AHC staff if they had any comments. Ms. Susan McDivitt, Executive Director for Mary Erickson Community Housing, reported that at the time of the RFP, the MECH/AHC project was the most viable. A benefit of the proposed project was the removal of dilapidated rental units that would be converted into home ownership.

Mayor Pro Tem Monahan inquired about the pre-development costs that were being capped at $86,000. He asked what the agreement was and if the figure was reflective of expenses incurred to date or in the future. Ms. Ullman explained the figure was the cost that MECH/AHC had to produce between 2004 and the time they found out whether or not they would receive the funds. It included expenses incurred to date for lost grants, entitlement fees and lead inspection, as well as, future expenses. If the project did not get approved, the $30,000 non-refundable escrow deposit would be lost in August.

Mayor Pro Tem Monahan asked what the size of the property was. AHC Executive Director Trinh Cong reported the lot was slightly over 11,000 square feet. Ms. McDivitt added the alternative of demolishing and reconstructing the units to get a density bonus for affordable housing and reproduce five units was also reviewed. The cost, however, was significantly higher.

Council Member Foley asked MECH/AHC staff if they preferred extending the irrevocable covenants time-period as a way to save cost. Ms. Cong reported that the Board of Directors for both MECH and AHC supported long-term affordability covenants because they made the units available to low-income families and gave the City more control with regards to the outcome of the property.

Council Member Foley asked how the figure of $33,000 per unit that the City saved was derived. Ms. Head explained the homebuyer had an amount dedicated to housing expenses. Known expenses (utilities, HOA, etc.) were deducted and the remaining balance could be dedicated to a mortgage. The amount by which the property taxes change ($4,500 a year for irrevocable covenants and about $1,300 a year for revocable covenants) was enough to support $33,600 more in mortgage.

Mayor Pro Tem Monahan understood there was a 1½ to 2 year waiting list for the Single Family Rehab Program. He asked if it was due to funding of staff time and if choosing Alternative 4 would alleviate the time-period of the waiting period. Ms. Ullman advised it was not due to funding. The HOME and Neighbors for Neighbors programs were keeping the two full-time employees at capacity. Alternative 4 would require upgrading the part-time Neighbors for Neighbors employee to full-time in order to operate the Single Family Rehab Program.

Mayor Mansoor asked if staff could develop something combining Alternatives 3 and 4. Ms. Ullman responded affirmatively.

PUBLIC COMMENT

Mayor Mansoor opened the session for public comment. There being none, the public comment session was closed.

MOTION

Council Member Foley made a motion to approve staff recommendations with regards to the MECH/AHC. Council Member Dixon seconded the motion.

Mayor Mansoor stated he originally supported the MECH/AHC project. However, he was now concerned with the Agency being "on the hook" for $96,000 if the WISH and CalHome funds did not come into play, the total project cost increase of $184,000, the decreased estimated sales revenue of $210,000, and the increased financial gap of $375,000 per unit.

SUBSTITUTE MOTION

Mayor Mansoor made a substitute motion to approve Alternative 3 and review Alternative 4 for possible combination with Alternative 3. Mayor Pro Tem Monahan seconded the motion for discussion.

Council Member Bever shared some of Mayor Mansoor's concerns. The MECH/AHC project was complex and costly. The area for the proposed project was slated to be incentivized in October. The private sector could convert the property into a nice, new project. He supported the substitute motion and suggested splitting the available funds between Alternatives 3 and 4. Mayor Mansoor and Mayor Pro Tem Monahan supported Council Member Bever's suggestion.

Mayor Pro Tem Monahan also supported the MECH/AHC project but with the escalating prices, he could no longer support it. He asked the maker of the substitute motion, if he would be willing to reimburse MECH/AHC for any of the non-profit costs they had incurred.

Mayor Mansoor inquired if the Agency was allowed to reimburse MECH/AHC for non-profit costs incurred and if so, what the cost of reimbursement would be. He also asked if the part-time employee would have to be upgraded to full-time if the funds were split and what the implications would be. Ms. Ullman responded that the balance from the carryover money in the Redevelopment and HOME programs, as well as, the money gained from the proposed project would have to be reviewed at the end of the fiscal year. Rehab staffing would definitely be affected, since it would require additional hours to run the program. The part-time Neighbors for Neighbors Coordinator would become full-time and run both programs or a new 40-hour per week person would have to be hired.

Mayor Mansoor asked City Manager Roeder if the Agency had to take a separate action to hire a full-time employee. City Manager Roeder stated the Agency should vote if they wanted to reallocate funds into the First-Time Home Buyer and Single Family Rehab Programs and direct staff to return with an implementation plan that would include necessary staffing to carryout out the program. The Agency could make changes to the action if it was necessary. He stressed it was important for the Agency to apprise staff and MECH/AHC of the status of the project.

Mayor Mansoor stated he would make it part of his substitute motion and reiterated if Council could reimburse MECH/AHC and if so, what amount could be reimbursed. Ms. Brady stated there was no Pre-Development Agreement in place; therefore, the Agency could authorize payment of incurred third-party costs and include an amount not to exceed. The Agency could also request MECH/AHC members to identify their estimates tonight. No escrow monies had gone hard as of yet but the first $10,000 of the $30,000 deposit would go hard at the end of May. The deposit would be refunded because cancellation of the MECH/AHC program would be a failure of a contingency to closing, and a basis under which the escrow would be cancelled. Ms. Brady recommended that incurred third-party costs be pursuant to some kind of payment and release agreement so the City did not set itself up for a request for funds beyond that and both parties release each other. Agency Attorney Hall Barlow concurred with Ms. Brady's comments.

Mayor Pro Tem Monahan asked MECH/AHC members if they had an estimate in order to establish a not to exceed figure. Ms. Cong stated that an accurate account had been given in terms of the escrow and the first non-refundable deposit that became hard at the end of May. They had an open escrow, therefore some of the incurred costs would include charges for escrow, title, a general contractor, a fiscal inspection at the property, and inspections for asbestos, lead-paint and hazardous materials, as well as, discussions with their attorney. She provided a rough estimate not to exceed $5,000.

Council Member Bever stated that if the maker of the substitute motion agreed, he wanted to suggest an amount not to exceed $10,000, with compensation based upon presentation of the costs.

Considering the loss of $350,217 that would be returned to HUD if the City did not go forward with the project, Member Foley asked Ms. Ullman if she could provide an account of how much money would go to the First-Time Home Buyer and Single-Family Rehab Programs. Ms. Ullman reported that $648,000 in Redevelopment funds from the proposed project would go to the First Time Home Buyer Program and $241,800 would go to the unencumbered HOME fund balance and placed in the HOME Rehab Program. An amount of $350,200 in HOME CHDO funds would be returned to the Treasury.

Council Member Foley stated the proposed project would rehabilitate and convert four units from rental to home ownership. She asked how many units could be provided to first time homebuyers with $648,000. Ms. Ullman said three First Time Home Buyer units could be provided with $648,000.

Mayor Mansoor restated his substitute motion. Go forward with Alternatives 3 and 4 and split the funds between both alternatives; direct staff to return with implications of needs to facilitate the Rehab program with regards to a full-time employee; approve third-party costs, not to exceed $10,000, and based on presentation of receipts for costs expended. Mayor Mansoor asked the maker of the second if the substitute motion was acceptable to him. Mayor Pro Tem Monahan agreed.

Council Member Foley asked what the budget increase would be if they added a salary position. Ms. Ullman responded a management analyst level position, with benefits, would be about $80-85,000.

With regards to the lead-base paint, asbestos and mold issues that had been found at the proposed site, Member Foley asked if the City had an obligation, if any of the units were occupied by children and if a lead removal program was available. Ms. Ullman explained it was a disclosure item and staff would notify the existing property owner and tenants, as required by HUD. Ms. Ullman advised that one unit occupied a child and no rental lead-removal program was available.

SUBSTITUTE MOTION Carried Approved

The substitute motion made by Mayor Mansoor, seconded by Mayor Pro Tem Monahan to go forward with Alternatives 3 and 4 and split the funding between both alternatives; direct staff to return with implications of needs to facilitate the Rehab program with regards to a full-time employee; approve third-party costs, not to exceed $10,000, and based on presentation of receipts for costs expended, carried 3-2. Council Members Foley and Dixon voting no.

REPORTS

City Manager

None.

City Attorney

None.

PUBLIC COMMENT

Mayor Mansoor opened the session for public comment. There being none, the public session was closed.

ADJOURNMENT

There being no further business for discussion, Mayor Mansoor adjourned the Special Joint Meeting at 8:29 p.m.