

INTRODUCTION

On Monday, June 22, 2009, the following members of the Inclusionary Housing Stakeholder Committee Meeting met:

Panama Bartholomy	Sacramento Planning Commission
Joan Burke	Loaves and Fishes
Don Bunn	District 7
Pastor Frank Espegren	ACT (Sacramento Area Congregations Together)
Kevin Greene	Downtown Partnership
Brandy Kollenbom	District 1
Bob Lawler	St. Anton
Paul Noble	District 3
David Nybo	Infill Developer
Jessie Reese	District 8
Richard Sickert	District 2
Mark Stivers	SHRC (Sacramento Housing and Redevelopment Commission)
Eric Sunderland	District 6

Absent were Committee Members; Will Leighton, Centex Homes; Dennis Rogers, BIA (Building Industry Assn.); Joany Thitherington, District 5; Dan Weitzman, District 4.

Also present were:

Cindy Cavanaugh, SHRA Assistant Director
Emily Halcon, SHRA Management Analyst
Lindsay Alagozian, City of Sacramento Community Development Dept.
Tom Pace, City of Sacramento Community Development Dept.
Greg Sandlund, City of Sacramento Community Development Dept.
Sabina Gilbert, City Attorney's Office

The meeting was facilitated by Laura Mason-Smith, of Mason-*Smith* SUCCESS STRATEGIES. Outlined on the following pages is a summary of meeting results.

**INCLUSIONARY HOUSING STAKEHOLDER COMMITTEE
MEETING #4 SUMMARY, Monday, June 22, 2009**

MEETING PURPOSE

Cindy Cavanaugh and Emily Halcon, SHRA, welcomed the Committee members and Laura Mason-Smith, the facilitator, reviewed the agenda and clarified the purpose of the evening's meeting as:

- Update the Committee members on the Inclusionary Housing Tour
- Understand the role of Homeownership as a tool for Affordable Housing and its relationship with Natural Affordability
- Provide Committee member input on initial staff thoughts related to the topics of Homeownership Outcomes

GROUND RULES FOR WORKING TOGETHER

The Committee reviewed the ground rules for working together effectively that were adopted at the first meeting:

- *Start and end on time*
- *All ideas are valid*
- *Listen for understanding and show respect for all*
- *Clarify issues*
- *Differences are to be understood and acknowledged rather than argued*
- *One speaker at a time – no side conversations*
- *Hear from everyone – no one person dominating*
- *Use the "Hand Signal" if the discussion appears to be off track*
- *Turn phones to off or silent until breaks*

INCLUSIONARY HOUSING TOUR

Committee participants updated each other on the results of the Inclusionary Housing Tour which took place on Saturday, June 20, the route of which was distributed to all Committee members. The Tour participants voiced that the Tour was very well done and that it was helpful to see different kinds of affordable housing projects and understand more about the issues and opportunities related to each.

THE ROLE OF HOMEOWNERSHIP IN AFFORDABLE HOUSING

Emily Halcon reviewed with the Committee the "white paper" on Homeownership Outcomes which included buyer challenges/outcomes and Agency challenges. Emily also explained the concept of natural affordability. Tom Pace indicated that it is perceived that the City Council wants Homeownership to be included in the Ordinance.

A Q&A with the Committee followed (*answers shown in italics*):

1. How does natural affordability fit in an Ordinance – how would it be done? *Emily shared examples of natural affordability in Ordinances in San Diego and Pasadena.*
2. Does natural affordability mandate smaller or starter homes? These are more cost efficient; however, current City design guidelines and government cost structures hurt the ability of developers to produce smaller or starter homes. *One way to get to affordability is with smaller, starter homes.*
3. What happens if a homeowner makes property improvements? *If an owner makes home improvements, the depreciated value of approved improvements can go to the buyer. With the current Ordinance, the buyer cannot realize market appreciation.*
4. Does the buyer need City approval to make home improvements? *No; however, only certain improvements are eligible for reimbursement. Therefore, it is good to check with the City first before making improvements in order to be able to recapture the cost at sale.*
5. Isn't Homeownership under the Ordinance just like being a renter with responsibilities? What are benefits of inclusionary Homeownership? *The benefits are that the owner can live in the area they want, there is a tax benefit, and the owner cannot be evicted.*
6. With the current Ordinance, what incentive is there for an owner keep up the maintenance of the property? *Personal pride.*
7. What happens if a borrower walks away from a home? *SHRA is in second position, so the SHRA value is lost.*
8. Are there cost data points on how a person with limited income can afford a home? *No, but some models try to calculate this up front; 30-35% of income is a typical standard. Some ordinances may include a maintenance charge, but the City of Sacramento's Ordinance does not include this.*
9. How "green are these products? *The same as all other products.*

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10. Committee member comments:

- a. It's extremely difficult to find people in this market who can qualify for a loan.
- b. Rental is much more desirable than Homeownership for developers to produce Inclusionary Housing.

COMMITTEE INPUT

The Committee then split into two groups to provide input on the Initial Staff Thoughts:

<i>Questions</i>	<i>Red Group</i>	<i>Blue Group</i>
1. Should affordable homeownership be a goal of the Inclusionary Ordinance?	<ul style="list-style-type: none"> -No, incentive based ownership options are not THE goal of this Ordinance, the goal is upward mobility. -Are owners really benefitting? -No, assuming natural affordability. 	<ul style="list-style-type: none"> -No (5 people). It is an inefficient use of subsidy and staff resources. Homeownership should be supported outside the Ordinance through other programs. -Yes (2 people). Keep in as an option, but don't incentivize more than currently. -Wait until the market stabilizes before deciding.
2. What should the income targets be for regulated inclusionary homeownership units? Why?	<ul style="list-style-type: none"> -Moderate income goal, not low income, if regulated. -Include language to review the Ordinance more frequently. -Does not work for LI and ELI. 	<ul style="list-style-type: none"> -Nothing below 80% is feasible, and nothing above 80% is marketable. -Go to 80% for all ownership units but set the price at 70% AMI. -Go to 120% AMI.
3. How should the equity share be modified for regulated inclusionary units?	<ul style="list-style-type: none"> -Homeownership "in training." -Minimize Agency investment by using alternate sources; i.e., dap and planning concessions. -Impound maintenance amount. -Gets market appreciation with extra qualifications. -Lockout for 5 years. 	<ul style="list-style-type: none"> -6 people said, Proportional share. -1 person said, A 5-year restriction in flipping, then proportional share.

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<p>4. Should regulated inclusionary homeownership have re-sale restrictions? If so, how can the City fund the seller equity share?</p>	<ul style="list-style-type: none"> -No equity share actually restricts ownership. Mortgage assistance is a better tool than inclusionary. -Some level of recapture, no matter what. -Participate on the upswing. -5-year mark with some share. -No recapture below market, graduated above market. 	<ul style="list-style-type: none"> -3 people said, No, but see #3 for equity share. -3 people said, 5-year resale restriction, then equity share.
<p>5. Now should "natural" affordability be incorporated into the City's Inclusionary Ordinance?</p>	<ul style="list-style-type: none"> -Median income defines affordability. -Income affects home value. Remove fees, regulatory relief. -80-120% -Warranty ties builder to quality. -"A house is where a job goes to sleep." 	<ul style="list-style-type: none"> -5 people said, There is a role for it. -2 people said, Too complicated and not a priority for this round of ordinance amendments.

NEXT STEPS AND CLOSE

The next Committee meeting will be on Monday, July 27, 2009, from 5:30-8:30 pm (food available at 5:00 pm), at Willow Glen Apartments, 1625 Scarlet Ash Avenue, Sacramento. A white paper on the meeting topic – Rental Outcomes -- will be distributed with the agenda prior to the next meeting. The SHRA and City staff thanked the participants, and the meeting concluded at 8:30 pm.