



MEETING DATE: 11/3/08
ITEM NO: 5

COUNCIL AGENDA REPORT

DATE: OCTOBER 27, 2008
TO: MAYOR AND TOWN COUNCIL
FROM: GREG LARSON, TOWN MANAGER 
SUBJECT: ADOPT A RESOLUTION ADOPTING REVISED BELOW MARKET PRICE HOUSING PROGRAM GUIDELINES AND RESCINDING RESOLUTION 2005-117.

RECOMMENDATION:

Adopt a Resolution adopting revised Below Market Price Housing Program Guidelines and rescinding Resolution 2005-117.

BACKGROUND:

This report was presented to Council at its August 18 meeting. The Council referred the item to the Community Services Commission for review and comment. The Community Services Commission considered the proposed Guideline revisions at its October 2 meeting and voted to recommend to Council that the revisions be approved.

The Community Services Department manages a Below Market Price Housing Program (BMP) to allow low and moderate income households to become home owners. Recently, the owner of a BMP unit has requested to sell their home in order to purchase another newer, upgraded BMP unit at a different development. In reviewing the request, Staff noted that the Town's Below Market Price Guidelines and Resolution require modifications to more directly address this question. This report includes a review of the current BMP Program and Guidelines and offers a comparison to BMP Programs in other local municipalities.

PREPARED BY: Regina A. Faltner
Community Services Director 

Reviewed by: PSJ Assistant Town Manager OK Town Attorney
____ Clerk Administrator ____ Finance ____ Community Development

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DISCUSSION:

Below Market Price Program

The Town's BMP Program has a limited number of homes, typically condominiums or townhomes, which are sold at a price below the current market value. In return for the ability to purchase a home at a below-market price, participating homebuyers agree to restrict the price at which they may resell the unit in the future.

The Town contracts with the Housing Authority for Program administration. Initial eligibility for the program is based on household income; households may not exceed 100% of the area median income, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development (HUD). All applicants are responsible for securing their own financing. All units must remain owner-occupied.

The BMP Program also has a limited number of rental units available. In order to be eligible to rent a BMP unit, a household may not exceed 80% of the area median income, adjusted for household size, as determined by HUD.

Applications are ranked according to criteria established by the Town Council using characteristics such as current residence in Los Gatos, current employment within Los Gatos, senior citizen status, disability status, and household size. Successful applicants are typically families with children, who are current residents of Los Gatos.

The Housing Authority reviews assets of potential buyers to ensure adherence to the income restrictions. The BMP owner may use the equity gained to purchase a home at fair market value and free up the existing BMP unit to expand the program to another family in need.

The BMP program is administered with the intent of providing potential first time home buyers with an opportunity to enter the housing market and increase self sufficiency through equity gained as a result of homeownership. However, the Town's Below Market Price Guidelines and Resolution do not specifically make this statement.

Proposed Guideline Addition

A review of similar programs in six other local communities indicates that all have some limit on previous home ownership. Of the six municipalities reviewed, three had a limit on previous home ownership. The table below indicates home ownership limitations required by BMP Programs in other municipalities.

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BELOW MARKET PRICE PROGRAM COMPARISON

City	First Time Home Ownership Requirement
Campbell	Must be a first-time home buyer.
Cupertino	Not specified
Morgan Hill	Applicant may not have owned a home for the last 3 years prior to applying.
Mountain View	Not specified
Palo Alto	Not specified
Sunnyvale	May not have owned residential property in the counties covered by Association of Bay Area Governments (ABAG) or Association of Monterey Bay Governments (AMBAG) (Alameda, Contra Costa, Marin, Monterey, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma) for three years prior to submittal of a BMP application.
Los Gatos Proposed	Same as Sunnyvale requirements listed above.

Staff recommends that the Sunnyvale requirement be added to the Town's BMP Guidelines. The specific language is stated below and has been included on page 4 of the draft guidelines.

First Time Home Buyers:

The Below Market Price (BMP) Program is for First Time Home Buyers. A First Time Home Buyer, by definition, is an applicant whose name has not appeared on a residential title in the counties covered by the Association of Bay Area Governments (ABAG) or Association of Monterey Bay Governments (AMBAG) which are Alameda, Contra Costa, Marin, Monterey, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma for at least three (3) years prior to application. Exception is made for people who were homeowners prior to a divorce settlement.

Additional BMP Program Review

During the next year, the BMP Program and condominium conversions will be reviewed as part of the Housing Element and General Plan update. Additional recommended changes to the ordinance and/or guidelines will be made, if appropriate, based on comparison with best practices. Consequently, changes will also be recommended to assist households displaced as a result of the conversion of apartments to condominiums if directed by Council.

CONCLUSION:

Staff recommends that the program be limited to first time home buyers who have not owned property in the above listed counties for 3 years prior to submittal of an application. This change reinforces the intent of the program and prevents BMP owners from "trading" units simply to purchase a newer or larger unit.

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BMP Homeowners who benefit from the program are potentially able to use the equity to purchase a home at market price. The BMP homes left behind become available to others in need and the program continues to grow its scope and ability to serve more of those in need. While the housing shortage in the area is unlikely to be resolved in the near future, this program strives to make a small impact on the overall economic vitality of our community.

ENVIRONMENTAL ASSESSMENT:

The recommended action is not a project defined under CEQA, and no further action is required.

FISCAL IMPACT:

None

Attachments:

1. Draft resolution adopting Revised Below Market Price Housing Program Guidelines

Distribution:

Arun & Usha Gaikwad

Diana Moreno, Santa Clara County Housing Authority

RESOLUTION 2008-_____

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS
ADOPTING REVISED BELOW MARKET PRICE HOUSING GUIDELINES
AND RESCINDING RESOLUTION 2005-117 TO CONFIRM THAT THE
PROGRAM IS INTENDED TO ASSIST FIRST TIME HOMEOWNERS**

WHEREAS, the Town of Los Gatos Zoning Ordinance Sections 29.10.3000 through 29.10.3040 establishes a Below Market Price (BMP) Housing program to assist low and moderate income Los Gatos citizens purchase homes at prices below market value; and,

WHEREAS, the Program requires construction of dwellings that persons and families of low and moderate income can afford to buy or rent, and assures to the extent possible that the resale prices of those dwellings and rents, if they are rented, will be within the means of persons and families of low and moderate income; and,

WHEREAS, the program helps the Town meet State mandated housing goals; and,

WHEREAS, this resolution revises the Town of Los Gatos Below Market Price Housing Program Guidelines to confirm that the program is intended to assist first time homeowners.

NOW, THEREFORE, BE IT RESOLVED that the Town Council of the Town of Los Gatos (1) repeals Resolution 2005-117; and, (2) adopts the revised Town of Los Gatos Below Market Price Housing Program guidelines attached as Exhibit A.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 18th day of August, 2008, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED: /s/ Mayor Barbara Spector
MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST: /s/ Jackie D. Rose
CLERK ADMINISTRATOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA