



CITY OF MILPITAS

CITY COUNCIL HOUSING SUBCOMMITTEE

MINUTES

10:30 AM – 12:00 PM
Thursday, September 9, 2021
Virtual Meeting/Teleconference

I. Call to Order and Roll Call

Councilmember Phan called the meeting to order at 10:30 AM.

Subcommittee Members Present: Councilmember Evelyn Chua, Councilmember Anthony Phan

Staff Present: City Manager Steven McHarris, Assistant City Manager Ashwini Kankar, Finance Director Lauren Lai, Director of Building Safety and Housing Sharon Goei, Housing and Neighborhood Services Administrator Robert Musallam, Housing Manager Adam Marcus, City Attorney's Office Seth Merewitz.

II. Pledge of Allegiance

Lauren Lai led the Pledge of Allegiance.

III. Approval of Agenda

Motion to approve September 9, 2021 agenda

Motion/Second: Councilmember Evelyn Chua / Councilmember Anthony Phan

Motion carried by a vote of Ayes: 2 Noes: 0 Abstain: 0

IV. Approval of Minutes

Councilmember Evelyn Chua and Councilmember Anthony Phan approved the September 2, 2021 meeting minutes.

V. Public Forum

None.

VI. Business Item

Further Discussions on Affordable Housing and Economic Considerations – California Statewide Communities Development Authority (CSCDA) Community Improvement Authority Proposal for the Turing Apartments

Debbie Kern from Keyser Marston Associates (KMA) responded to Subcommittee Member questions from the previous Housing Subcommittee meeting. She explained that KMA's more conservative rent growth projections meant it could take longer for the City to recover its property tax revenues. Ms. Kern presented the rest of her findings, a list of recommendations, and stated that the biggest issue with this program is the level of affordability.

Jon Penkower from CSCDA mentioned that the program is greatly affected by interest rates, responded to questions about insurance, and stated that the project could not assist residents

displaced by disasters etc. Mr. Penkower said the program can adjust the mix of affordability levels by serving more very low and moderate-income households and fewer low-income households. Mr. Penkower disagreed with KMA's projections on rent growth. He noted that tax revenue lost by the Milpitas Unified School District under the CSCDA program would be "backfilled" by the state and that school district staff could benefit from living in this housing project. Mr. Penkower asked to speed up the City Council review process for this program.

Councilmember Chua made the following comments:

- Asked Mr. Penkower what CSCDA's rationale was for setting rents higher than current rents.
- Asked where it says the City cannot require the project sponsor to increase capital expenditures to make sure the building is in good condition when the City takes ownership in 30 years.
- Asked if there is an option that would allow this project to use private equity funding.
- Asked for feedback from the City Attorney's office about insurance and if this program is a risk.
- Was concerned that this project is addressing class A affordability but the city is looking for Class B and C.
- Noted that investors are getting paid up front, with no more private funding after that and that the projections on how the bond will be paid are generous compared with KMA calculations; there is a big gap.
- Was also concerned about the lack of local control and oversight and not being able to evaluate the performance of the project over 30-34 years.
- Asked what type of project we would get at the end of the bond period and if the City would have to spend more funding to bring it up to par.

The City Attorney's office made the following comments:

- Responded to Councilmember Chua by saying the City has no oversight of the building, and the City is not an owner until the bonds are paid off. The performance of this real estate asset is out of the City's hands. For typical affordable housing projects, the City would have a regulatory agreement and a seat at the table.

John Drachman from Waterford Property Company explained how they had increased the capital reserve and how Waterford will want to maintain the property to protect their B Bond. He stressed the benefits for existing tenants.

Councilmember Phan made the following comments:

- Commented that the City of Milpitas does not do property management, but we are trying to get people housed.
- He sees the value and considers this program a long-term investment.
- He commended the project team for increasing the reserve fund from \$3M to \$5M.
- He was glad the school district funds would be backfilled by the state and he didn't see a need to reimburse the other taxing agencies.
- He hoped to do more of these projects in the future.
- He said that cash flow is always on the table as an option of improving the property.
- Asked that the CSCDA item be agenized so that action can be taken in the first City Council meeting. He understood it could take more time but wanted to have that option available.

The following spoke during Public Comment: Urvishkumar Mehta and Jacqueline Romero.

VII. Adjournment

Meeting was adjourned at 11:53 AM.