

**MINUTES OF THE JOINT SPECIAL MEETING OF THE MADERA CITY COUNCIL AND
REGULAR MEETING OF THE MADERA REDEVELOPMENT AGENCY
CITY OF MADERA, CALIFORNIA**

October 12, 2011
6:00 p.m.

City Hall
Council Chambers

1. CALL TO ORDER – CLOSED SESSION

Mayor/Agency Chairperson/Housing Authority Chairperson Robert Poythress opened the Closed Session for the Regular Meeting of the Housing Authority of the City of Madera and the Joint Special Meeting of the Madera City Council and Regular Meeting of the Madera Redevelopment Agency at 6:00 p.m. and called for the roll call.

ROLL CALL Present: Mayor/Chairperson Robert Poythress
Mayor Pro-Tem/Vice Chairperson Brett Frazier
Council/Agency Member Sally Bomprezzi
Council/Agency Member Gary Svanda
Council/Agency Member Andrew Medellin

PUBLIC COMMENT – CLOSED SESSION

The first fifteen minutes of this portion of the meeting are reserved for members of the public to address the Agency or Council on Closed Session items listed on the Agenda. Speakers seeking to comment on other items are requested to make those comments during the Public Comment portion of the meeting at 6:30 p.m. Speakers shall be limited to three minutes. Speakers will be asked to identify themselves and state the subject of their comment. The Agency and Council are prohibited by law from taking any action on matters discussed that are not on the Agenda, and no adverse conclusions should be drawn if the Agency or Council does not respond to public comment at this time.

Mayor/Agency Chairperson/Housing Authority Chairperson Robert Poythress opened the Public Comment portion of the meeting inviting members of the public to address the Council/Board/Commissioners.

No comments were heard.

2. CLOSED SESSION

2A. Closed Session Announcement – City Attorney

There are no items for this section.

Mayor/Agency Chairperson/Housing Authority Chairperson Poythress closed the Closed Session Portion of the Joint Special Meeting of the Madera City Council and Regular Meeting of the Madera Redevelopment Agency and Regular Meeting of the Housing Authority of the City of Madera of the at 6:03 p.m.

Housing Authority Chairperson Poythress recessed the meeting of the Housing Authority and called for the Workshop presentation as listed on the agenda of the Joint Special Meeting of the Madera City Council and Regular Meeting of the Madera Redevelopment Agency.

WORKSHOP Presentation on the Agency's Affordability Agreements

Presented by Brent Richardson, Agency Interim General Counsel and
Bob Wilson, Redevelopment Manager

Redevelopment Manager Bob Wilson, addressing the members of the Agency Board, presented a PowerPoint presentation updating them on the Agency's affordability agreements. He reported that the Agency receives tax increment from the county and the Health and Safety Code stipulates that 20% of the gross tax increment must be set-aside for affordable housing. Mr. Wilson said that affordability is made of two components. One - the family that is moving into the unit must fall into one of the income groups ranging from extremely low to moderate, and two – the cost of the housing unit must be less than or equal

to 30% of their annual income. He said for an example if you take the annual income of the family and you multiple it by 30% and if the housing costs are equal to or less than 30% of their income, then they qualify. He continued what makes it complicated is all of the income groups are broken down by the number of people that live in the household. So, he said, instead of just having four or five income groups, you have as many as six combinations for each income group. Mr. Wilson presented two different charts going through two scenarios, illustrating to the Agency Board the process for making sure that the family qualifies and making sure the unit qualifies. In going through the charts, Mr. Wilson explained that the maximum monthly housing costs for tenant-occupied units must also include utility costs, and for owner-occupied units the monthly housing costs must include the mortgage payment including principle and interest, taxes and assessments, insurance, utility and association fees. Mr. Wilson outlined the calculations for an extremely low income household and a moderate income household. Comparing the income groups, he said for a studio unit for an extremely low income household, the maximum monthly rent would be \$300, including utilities, For the moderate income household and a four-bedroom unit, which is suitable for five persons, the monthly rent including utilities would be \$1,699.00. He summarized saying we look at two components that make up affordability. One, you look at the family to see if they fall in the right income group; second, you look at the unit, and if the unit cost is 30% or less of their annual income, then the unit qualifies. Mr. Wilson asked if there were questions.

Vice-Chairperson Frazier asked for clarification regarding the utility costs, asking if the maximum rent costs on the chart included the utility allowance, so the amount reflected on the chart includes rent and utility. Mr. Wilson said that was correct. If you are looking at the owner-occupied column, the dollar amount includes mortgage, taxes, assessments, insurance, and utilities. The number reflected is not just mortgage, or rent, but it includes the other housing costs.

Agency Member Svanda asked if there is a range, other than income groups. He said considering \$57,200 income, and the next breakdown is \$45,000, and if I am at \$49,600, and 5 people in the house, is that a specific amount, or are they rounded by classification and you can always use the maximum. Member Svanda further explained his question and said if I make a little less, but I want a nicer place, can I go up to the maximum for my income classification, instead of using my specific income, which would drop down the potential payment I can get into. He continued, asking is it actually income specific? You are using \$57,200 – what if I make \$57,100, or I make \$56,900. Mr. Wilson referred back to the chart, explaining you have a household of five and your annual income is \$29,000, so you would fall in the very low income group. Your housing costs would be 30% of the \$30,900. Member Svanda asked what if I make \$69,700. Mr. Wilson replied \$69,700 with five members in the household would fall in the moderate income group. Member Svanda responded then anything that exceeds falls into the next category. Mr. Wilson said that was correct; once you exceed then you roll up, going to the next income group.

Member Frazier asked then if you roll up, and you want to get a nicer unit, say you are at \$61,900 income level, would you be able to get a \$1,699 maximum rental allowance. Mr. Wilson explained your maximum rental allowance would be greater than the \$1,699, because the example for \$1,699 is for a four-person household.

Member Svanda said what if I want a nicer place – I want to roll up – and get the maximum, but it would exceed more than 30% of my income. Mr. Wilson said then you wouldn't qualify. Member Svanda said then it is income specific.

General Counsel Brent Richardson explained it is a combination of your income and the cost of the housing, so in order to qualify for a low-moderate unit, it has to be within that range both on the cost of the housing and on the income of the person. Typically, when we dispose of properties that are intended to be for low-moderate income, there is a covenant put in place so the property remains qualifying for whatever designation it is so that it fulfills certain requirements that we have to maintain certain numbers of each type of housing stock. Mr. Taubert said the next component of that is when the owner wants to sell their house and bought the house for \$80,000 and now it has a perceived value of \$115,000. They can sell it for any price they want to sell it for, as long as the buyer is within that targeted income group, because the affordability covenant runs with the land for a period of 55 years. He said that during the 'feeding frenzy' staff refused to approve the sales of property to people that were not within the targeted income group. He

said our philosophical position is “you got in there because of public assistance, and you better recognize that affordability covenant. Responding to Member Svanda’s question, if the unit is going to remain affordable, you cannot upgrade, above and beyond what is shown on the chart. Mr. Wilson added that a buyer cannot opt to pay more than 30% of their income. Member Medellin asked then what about the opposite; if I have two small children, a family of four, do I have to purchase a 3-bedroom home, or can I opt to live in a one-bedroom home. Mr. Wilson said I know that you can opt to have less of a mortgage payment, but I don’t know if you can opt to have fewer bedrooms. He said he would have to ask that question. Mr. Richardson said he was not aware of that answer either and said he did not know if there would be any restriction, such as these if you were going into a Housing Authority project.

Member Svanda asked when we put the affordability covenants in place, is it done with the builder? Mr. Richardson said when you dispose of the property, it has to remain in its same character. Jim has requirements that he has to meet regarding income, thus the need to put the affordability covenants in place to maintain the character. Member Svanda noted that is what justifies the set-aside of tax increment to be used in housing; they are identifying housing like this. Mr. Taubert said, using Mike Pistorosi as an example, which is why we don’t have developers coming to us to do multifamily units, if we enter into a Disposition and Development Agreement, it is a 55-year agreement and it runs with the land. If we do an ownership deal, the agreement is short-term, 60-70 days, and the builder transfers it to the buyer and the buyer assumes that affordability obligation. Most builders prefer a 70-day relationship, as opposed to a 55-year relationship.

Nick Benjamin, Executive Director of the Housing Authority, responding to Agency Member Medellin’s question, said that the Housing Authority has what is called occupancy standards, and what you are describing is a situation that would be under-housed. Even if you are willing, it would not be allowed; there are standards of how many people should be housed in a particular bedroom size. Member Medellin asked regardless of age, just the number of people. Mr. Benjamin said that was correct.

Vice-Chairperson Frazier asked what the affordability covenants can do to the values of property over the long-term. Mr. Taubert related a potential project several years ago where the Agency was going to participate in 60-units at four different locations, ranging from four-plexes to eight-plexes, with the Agency construction off-site improvements. We entered into an Owner-Participation Agreement with the developer and he took it to his bank and he could not get construction financing as long as there were affordability covenants on the land. The banks were out of the Bay Area and they assumed that the affordability covenants are rent control. He said there are some distinct differences between rent control and affordability covenants, because it is tied to the number of people and the income, whereas rent control is just fixed. The bottom line is the developer chose to walk away from several hundred thousand dollars, because it would impact his ability to obtain permanent financing or down the line impact the value of the property should he want to sell.

Vice-Chairperson Frazier asked if there were a certain number of affordability covenants that we have to have. Mr. Taubert said we do not have to make 100% of our units affordable. We have chosen to do so because of the fact that we were primarily focusing on ownership units. But, he said, we are several hundred units above where we are obligated to be, so there is not an obligation that 100% of our units remain affordable. With regard to Sugar Pine Village and the agreement with Harry Pascuzzi, we have indicated to him that as long as the units are owner-occupied, we would be willing to waive the affordability covenants. If he has a buyer, don’t turn them away because of income restrictions.

Agency Member Svanda asked isn’t it also true that your production of affordable units helps the City of Madera fulfill its obligation to the State of California for the percentage of housing that makes up affordable housing versus all the other housing in any geographic area. Had it not been for the Redevelopment Agency and the concept of affordable housing, we would be far from meeting our standards for the State of California. Yet, if it has not changed recently, I believe that we are close to fulfilling the requirements. Mr. Taubert replied what you are describing is the Regional Housing Needs Allocation (RHNA), and at one point it got to be contentious during negotiations with the County, because the County wanted the City to assume their obligations and the City did not agree. He said if the state thinks you are not making an effort to fulfill your RHNA, they can withhold grant funding.

Chairperson asked if there were further questions; there were none.

RECESS

Mayor/Agency Chairperson Robert Poythress adjourned the Workshop portion of the meeting at 6:25 p.m.

3. CALL TO ORDER – REGULAR SESSION

Mayor/Agency Chairperson/Housing Authority Chairperson Robert Poythress opened the Regular meeting of the Housing Authority of the City of Madera and the Joint Special Meeting of the Madera City Council and Regular Meeting of the Madera Redevelopment Agency at 6:30 p.m. and called for the roll call.

ROLL CALL Present: Mayor/Chairperson Robert Poythress
Mayor Pro-Tem/Vice Chairperson Brett Frazier
Council/Agency Member Sally Bomprezzi
Council/Agency Member Gary Svanda
Council/Agency Member Andrew Medellin

Agency staff members present: Executive Director Jim Taubert, Interim General Counsel/Interim City Attorney Brent Richardson, Agency Treasurer/Finance Director David Croff, Redevelopment Manager Bob Wilson, Neighborhood Preservation Manager Manuel Ruiz, and Agency Secretary Sandi Brown.

City of Madera staff members present: City Administrator David Tooley.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Mayor/Chairperson Robert Poythress.

PUBLIC COMMENT – REGULAR SESSION

The first fifteen minutes of the meeting are reserved for members of the public to address the Agency or Council on items which are within the subject matter jurisdiction of the Agency or Council. Speakers shall be limited to three minutes. Speakers will be asked to identify themselves and state the subject of their comment. If the subject is an item on the Agenda, the Chairperson/Mayor has the option of asking the speaker to hold the comment until that item is called. Comments on items listed as a Public Hearing on the Agenda should be held until the hearing is opened. The Agency and Council are prohibited by law from taking any action on matters discussed that are not on the Agenda, and no adverse conclusions should be drawn if the Agency or Council does not respond to public comment at this time.

No comments were heard.

Mayor/Agency Chairperson/Housing Authority Chairperson Robert Poythress recessed the Joint Special Meeting of the Madera City Council and Regular Meeting of the Madera Redevelopment at 6:32 p.m. and called for the items as listed on the Housing Authority meeting agenda.

Mayor/Agency Chairperson/Housing Authority Chairperson Robert Poythress adjourned the meeting of the Housing Authority of the City of Madera and reconvened the Special Meeting of the Madera City Council and Regular Meeting of the Madera Redevelopment Agency at 6:48 p.m.

Mayor/Agency Chairperson called for the items as listed on the Consent Calendar.

4. CONSENT CALENDAR

- 4A.** Minutes of the Joint Meeting of the Special Meeting of the Madera City Council and Special Meeting of the Madera Redevelopment Agency – September 14, 2011 **(City/Agency)**
- 4B.** Listing of Warrants Issued from September 10, 2011 to October 7, 2011 **(Agency)**
- 4C.** Monthly Financial Reports – Redevelopment Agency **(Agency)**
- 4D.** Monthly Financial Reports – Code Enforcement **(City)**
- 4E.** Code Enforcement Activity Report **(City)**
- 4F.** Update on Tire Amnesty Day Event Held September 17, 2011 **(City)**

- 4G. Consideration of a Resolution Ratifying the Statement of Indebtedness Report for the Madera Redevelopment Agency for the 2011/2012 Tax Year and Ratifying Submission of the Report to the County Auditor (Agency)**

Mayor/Chairperson Poythress asked members of the Council/Agency Board if there were any items on the Consent Calendar they wished to have pulled for further discussion.

Item 4A was pulled by Council/Agency Member Bomprezzi.

Mayor/Chairperson Poythress called for a motion to approve the items presented on the Consent Calendar with the exception of Item 4A.

MRA-1492 A RESOLUTION OF THE MADERA REDEVELOPMENT AGENCY MADERA, CALIFORNIA RATIFYING THE 2011-2012 TAX YEAR STATEMENT OF INDEBTEDNESS OF THE MADERA REDEVELOPMENT AGENCY AND RATIFYING THE SUBMISSION OF THE REPORT TO THE COUNTY AUDITOR (4G)

On motion by Council/Agency Member Frazier, seconded by Council/Agency Member Svanda, the Consent Calendar with the exception of Item 4A was approved by a unanimous vote of the Council/Agency Board resulting in the adoption of Resolution MRA-1492.

Mayor/Chairperson Poythress called for Item 4A.

- 4A. Minutes of the Joint Meeting of the Special Meeting of the Madera City Council and Special Meeting of the Madera Redevelopment Agency – September 14, 2011 (City/Agency)**

Council/Agency Member Bomprezzi questioned the names of the Council members listed as absent under the Closed Session Item 2A on the minutes, stating they did not match the members listed as absent under the roll call. Agency Secretary Sandi Brown responded that was a typing error and the vote should read Council members Bomprezzi and Frazier as absent.

On motion by Council/Agency Member Svanda, seconded by Council/Agency Member Medellin, Item 4A as corrected, was approved by the following 3/0 vote: Ayes: Council/Agency Members Poythress, Svanda and Medellin; Noes: None; Abstained: Council/Agency Members Bomprezzi and Frazier (absent from the September 14, 2011 meeting).

5. PROJECTS AND REPORTS

- 5A. Update on Foreclosure Activity – Report by Manuel Ruiz (City)**

Mr. Ruiz presented the staff report, stating staff had originally expected a limited number of registrants to the program and expected more resistance from the real estate community. We expected approximately \$15,000.00 in revenue annually. Since the inception of the program in 2008, he said we have received 1,083 registrations in the amount of \$60,008.00. He reported that staff has closed 461 foreclosure cases, mostly through property sales. He said 125 notices of non-compliance have been recorded against the properties. For this fiscal year, he said 118 foreclosure cases have been closed. Mr. Ruiz reported that his department is down one full-time and one part-time Neighborhood Preservation Specialist and we need to fill these vacant positions with two part-time employees in order to adequately monitor the wave of foreclosures that are occurring on the horizon. He said the greatest problem has been the blight to the surrounding neighborhoods caused by the conditions of the foreclosed properties. Mr. Ruiz illustrated the steps taken by staff in processing foreclosed properties in a PowerPoint presentation. Mr. Ruiz explained that after 30 days and a property continues to be in violation, the responsible parties are cited \$1,000 weekly, and fee and penalties, which means staff time at \$40 per hour, and if after a 15 day period, then a 10% penalty is assessed. At this point a Notice of Violation (NOV) is recorded and the title is clouded. Mr. Ruiz said at that point staff finds the property comes into compliance and staff continues to monitor it. However, he said staff inspects property weekly and issues citations based on non-compliance. Some

citations go as high as \$12,000, \$13,000, or \$14,000 and then the banks decide they need to do something with the property and either bring it into compliance or sell the property. In order to sell they have to clear all fines and penalties and bring the property into compliance. He said should the bank want to do a quick sell and can't bring the property into compliance within a given amount of time, staff will accept an addendum to the escrow instructions for the buyer to bring the property into compliance. Mr. Ruiz asked if there were questions.

Mayor Poythress, referring to the reported 360% increase in revenue reported in the staff report, asked what it means in terms of dollars. Mr. Ruiz said what we have seen is it has increased from \$61,000 for an entire year, to \$81,000 for the past three months. Mr. Ruiz attributed the increase to the fact that staff is recording the NOV's. He said the banks want to release them because they want to sell the properties and they are selling fast. Mayor Poythress said it sounds like it has been a successful program. Mr. Ruiz concurred.

Mayor Poythress noted the reason this process was enacted was previously the properties were sitting vacant, not being dealt with and the banks were happy with that. Now, because we have these fines, the banks are starting to take action and clean up their properties. Mr. Ruiz said the original problem was the banks letting the properties sit and as a result the property values dropped significantly, as well as property values of surrounding properties as far as one-eighth of a mile away. He said entire neighborhoods in the new subdivisions were a target for tall weeds, overgrowth, graffiti, kids breaking into the homes, and people stealing appliances from the properties. Now the banks are leaving the homes occupied. The reason being they don't have to register them, and they don't have to do much maintenance on them and pay our fines because the people living in the homes take care of them.

Chairperson Poythress asked if there were additional questions or comments.

Council member Medellin directed staff to continue to run a tight ship and assess fines whenever possible.

5B. Request from Gary Brar Regarding Fines and Citations Placed on Foreclosed Properties (City)

Before calling Mr. Brar to the podium to address the Council, Mayor Poythress asked City Attorney Brent Richardson for an opinion on the Council's reimbursement of fines and if it would be considered a gift of public funds to do so.

Mr. Richardson responded that what the fines constitute is essentially a debt to the City. If you were to wipe those out for some reason or forgive them, which would be no different than forgiving any other debt to the City or a loan, that can't be done without some sort of public purpose. He said when you are talking about one individual, arguably there is no public purpose or at least none has been articulated sufficient to where I would think it would be anything other than a gift of funds to void them. You just can't decide to forgive them without a valid reason or public purpose. Mr. Richardson said he didn't know if it needed further explanation, and said essentially it would be a gift of funds. Mayor Poythress noted - it is a gift of public funds. Mr. Richardson added he would advise against it for that reason.

Mayor Poythress invited Mr. Brar to the podium commenting that Council had a staff report, as well as Mr. Brar had made the rounds this afternoon, so a lot of people are aware of what the issue is.

Mr. Brar (residing at 1016 West Yosemite Avenue, Madera, CA) addressed the members of the Council. He said the issue is not the enforcement cost, it is the citations on the properties. As an investor, he said he is trying to clean up the properties, trying to buy them, improve them and put them back on the market. He said that he has been working with the City of Fresno and they have come up with a resolution where they are working with the investors on breaking the liens and citations into different components. For example, he said, the administration costs, if any contractor work has been done, those are hard costs. But, the citations that you are doing, the \$1,000 fines, they are out there in float because the bank hasn't taken over the property, and the owner has abandoned the properties. So you are putting fine after fine until that property gets foreclosed on and either goes back to the bank or to an investor. The issue is if the property goes back to the bank, they might clean it up a little, and pay your fines and citations, but they are

going to dump the property on the market, and under value. That will really bring down values of properties in the neighborhood he advised, adding that an investor will spend more time and effort and remodel the properties and then sell the homes at a retail price.

Mayor Poythress replied, but then you are leaving me out of the equation. I'd like to buy these properties distressed so I don't have to pay as much money. You are going to make me pay more money if you fix it up and I pay retail for it.

Mr. Brar responded you can buy properties that are distressed at the courthouse that are foreclosures.

Mayor Poythress commented he was just voicing another opinion – it is really six to one or half a dozen to another. If the homes are dumped on the market there will be somebody coming and fixing up the properties. You are doing a nice thing for people who don't want to fix up the properties. That is the point I'm making. It is neither here nor there, the properties will be sold and remodeled at some point.

Mr. Brar said but if the bank takes the property back, they might take longer to sell the property, and they aren't going to remodel the property.

Mayor Poythress said what it comes down to is there is a policy in Fresno that you really like that works really well with the investors. Mayor Poythress asked the City Attorney to take a look at this, because there is absolutely nothing we can do about it tonight; it's against the law, it's a gift of public funds. So it is not even a consideration we can make as far as reversing any of these funds to you. But what we can do is take a look at the Fresno policy, review it to see if it is something we should consider and if it's a good policy and something we can do here in Madera.

Mr. Richardson asked if there was a contact person in Fresno. Mr. Taubert commented that he asked Mr. Brar for a name last week. Mr. Brar said the name is Bruce Hartman and added he brought the information and would give it to him. Mr. Richardson asked if Bruce Hartman was with Code Enforcement, and Mr. Brar said that was correct.

Mayor Pro-Tem Frazier, referring to a handout distributed by Mr. Brar that included a demand from the City of Fresno, commented that it appeared to be \$39,000 in fines that was taken down to \$1,668 by them, so if there is a mechanism, I think we should know if it is out there.

Mr. Richardson said he will certainly look at what Fresno is doing, and said that if he doesn't feel what Fresno is doing passes legal muster, he is not going to recommend to the Council that he represents that they follow it. He continued that he is willing to look at it because you never know until you find out what they are doing and they may be aware of something that I'm not aware of.

Mr. Brar said Fresno is not wiping the slate clean; they are saying we are still on the hook for administrative time, any contractor work. It is the citations. No one owns the property at that time, banks don't have ownership, and the owner has left. What good is it going to do if you are going to start tagging a \$1,000 fine week after week after week? So right now the banks take the property back in Madera and they paint the grass green – is that the solution?

Mayor Poythress said that happens in particular situations.

Mr. Richardson reiterated that he will call Mr. Hartman and asked Mr. Brar for a contact number. He said that he would then sit down with Mr. Ruiz and Mr. Taubert and let them know what he found, so they can evaluate it and report back to the Council. Mr. Taubert advised Mr. Brar it would be better to give us this information before the meeting instead of at the meeting to allow us time to present it to the Council, which is a more effective use of time.

Mr. Brar asked to show photos of a Fresno home, saying that he wanted to point out that we do add value to the properties when an investor buys it versus bank-owned. If you want to dump properties and that is the route that we want to go as a community, then....

Mayor Poythress responded that I'm sure you do, but there are many people that buy dilapidated properties and fix them up and they look better, and I'm sure it looked like a dump and now it looks like a palace, and I appreciate that, but he said let's save that for the next meeting when we have had a chance to get the information to Mr. Richardson and move forward.

Mr. Brar responded, so you are going to talk to a city manager over there. Mr. Taubert said we will talk to the person's name that you give us. He said that he had talked to Bill Ross in Fresno and he said he wasn't aware of the program you are referring to. Mr. Brar said that he just settled this with them yesterday and thus the reason why I couldn't give you this information sooner.

Mr. Richardson asked Mr. Hartman's position. Mr. Brar said he is the manager in Fresno for code enforcement.

Council Member Svanda stated that he has no interest in serving as a negotiating body for multiple foreclosures and fines when it comes to a system that we are going to forgive some and not forgive some, be it legal or not legal. That's not the focus of this policy-making board he added. He said he doesn't care who uses what, if that is what we are leading towards, he's not in favor of it, nor will he be, so don't waste your time if that is what you are going to bring back to this Council.

Mr. Brar said I'm just questioning your citations, not the administration of time.

Council Member Svanda responded that we aim to clean up the town, and we have a force that is doing that. We appreciate all the efforts of the people who want to buy the properties, recondition them, and you are doing it to make money – good for you. But, our policy is firm. We have made that decision.

Mayor Poythress asked if there were additional questions.

Mayor Poythress clarified and said it would be interesting, and said he did not think it would take a lot of staff's time, but just to report back on Fresno's policy so we know the difference, or if there is any different. Mr. Richardson agreed and added that if there is nothing to bring back, then there is nothing to bring back. I won't waste the Council's time if there is nothing to report on.

6. AGREEMENTS

There are no items for this section.

7. HOUSING

Chairperson Poythress declared a conflict on Item 7A, and exited the Council Chambers at 7:10 p.m.

Vice-Chairperson Frazier called for Item 7A.

7A. Letter from Mike Pistoresi Regarding Property Located at 209 Cypress Street (Agency)

Vice-Chairperson Frazier invited Mr. Pistoresi to the podium.

Mike Pistoresi (DMP Development, Corp., 2001 Howard Road, Suite 211, Madera, CA) addressed the members of the Agency Board stating that DMP has owned the home at 209 Cypress for some time now. He said they have not had any luck trying to sell or rent the home. He said I'm not asking you to give me anything, I'm not asking for anything but a little relief. He explained he has paid off the construction loan with RDA and attempted to rent the unit. However, in order for us to get permanent financing on this house, we need to get a rent of about \$1,000 per month and the house only qualifies for \$763 per month – not enough to cover the financing, property tax and insurance. He advised that the initial price of the home was \$125,000, which they felt was the market price; however, in reality it is not worth \$125,000. Mr. Pistoresi reviewed the handout he submitted outlining his costs to build. He stated that what he was asking the Agency to do is to release him from the affordability covenant so that we can sell this house to anybody that will buy it for any price. He said it is on the market for \$99,950, with a 5% sales commission,

advertising costs, closing costs, and 3% that they have to contribute to the buyer to get an FHA loan. He said if somebody walks in the door and says \$75,000 tomorrow, he is willing to take the loss, but he has to be able to sell it and waive the affordability covenant, so that the buyer doesn't have to fall within a specific income bracket to buy the home. Mr. Pistoresi said he believes they can sell it, but the covenant is restrictive to who we can sell it to.

Agency Member Svanda asked if the number presented in the staff report as to the cost to the Agency of \$192,727.18 to provide a \$10,000 lot for this location is correct. Mr. Taubert said yes the figures are correct. Member Svanda continued saying then we have \$182,727.18 in an affordability covenant, is that accurate? Mr. Taubert said that was correct. Member Svanda, how can we get there – you talk about a gift of public funds. We are not looking at what Mr. Brar was requesting; we are looking at \$200,000. Mr. Taubert explained when we purchased this property, we bought a duplex and removed the asbestos and there was a lot of cost. It is not uncommon that it costs a lot for demolition and when we sell the property, typically we sell the property for less than what we have in it. You will always see in the language that we can make the finding for fair market value because of the conditions for development that have been placed on the property, including the fact that the unit will be restricted to income and families within the targeted income group. Again, he said, we are not obligated to make every unit affordable, but if we don't make it affordable, then we are selling the lot and getting nothing in return.

Mr. Taubert addressed Mr. Pistoresi recalling an earlier conversation where he indicated that he has a young man interested in purchasing the home and his parents are willing to co-sign. Mr. Pistoresi said that was correct, but he won't meet the affordability covenant because it is he and his wife, and we have a four bedroom home that we only have two people occupying. Their intent is to occupy and start a family, but they don't have a family yet, and the parents want to co-sign. Mr. Taubert responded, we are pursuing our ability to do that, and so far we don't have an answer. We met with Brent and our staff today and Brent brought an issue relative to a case we have before the Supreme Court, and that is we couldn't amend that agreement this evening even if we wanted to because we are precluded from amending agreements.

Mr. Richardson stated that ABx1 26 and 27 would preclude us from doing anything like that; it's unfortunate, but even if we agreed, the Agency would be precluded from taking any action until the Supreme Court stay is wrapped up in January 2012. Mr. Pistoresi responded that he didn't know if he would live that long and said he does need to sell the house. It has already become an attractive nuisance; we are continuously replacing back doors that are getting kicked in, windows that are getting broken. At some point in time, he said we either need a tenant in this house or sell it to someone who will maintain it. Cypress Street is probably one of the worst areas in town to live in. The fact that we could even convince someone to go down there and buy the house is a blessing. Mr. Pistoresi said he was looking for some way to get it off his inventory.

Mr. Taubert advised Mr. Pistoresi to go ahead and pursue this path and staff is trying to figure out a way to make this latest deal work. If it can, that would allow us to do it without having to mess with the affordability covenant. Mr. Richardson said he has an inquiry out as to the effect of the co-signer. As to the relief of the covenant, that would be something unfortunately that can't be considered until potentially January 15, 2012. Even if we wanted to help someone, we can't do a darn thing.

Vice-Chairperson Frazier asked if there is any value to the blight removal in terms of the \$182,000 affordability covenant. Mr. Taubert said yes. What I hear you asking is in a perfect world and we were still able to amend agreements, could we get there. Yes, we could get there.

Mr. Pistoresi said we just want to end up with somebody living in the house, getting it off our books and paying taxes.

Vice-Chairperson Frazier asked if the \$763 monthly rent applies to the extremely low income group. Mr. Taubert said Mike had a tenant that could only pay \$763 based upon their annual income. If he was able to find a tenant that made \$58,000 and a family of two that has been dying to live on Cypress Street, he could get \$1,500 a month.

Mr. Pistoresi advised the reality of the market is he is renting a house on North Park Street for \$1,200 a month. Now would I rather live in that neighborhood for \$1,200 a month or would I rather live on Cypress Street.

Vice-Chairperson Frazier asked if it's possible to rent out bedrooms, or does it have to go per house. Mr. Richardson it is per dwelling, it is a unit itself.

Mr. Taubert advised that Mike has been our partner in this program since 1993 and it has been a good working relationship. He said he did not know if it is the location or what it is that is preventing this house from selling.

Mr. Pistoresi said it is the location. Why would you buy a house on Cypress for \$125,000 when you can buy a house on the west side for \$125,000, which is the reality of the market right now. It doesn't matter what socio-economic level I'm from. I want the best I can get for the least amount of money.

Member Svanda added one additional comment regarding the staff's statement in the staff report concerning an appraisal for current fair market value and being reimbursed for the base property, and asked is that something that would amend the agreement and put us back to \$125,000 again.

Mr. Taubert said that if we appraise lots in the Cypress area, and let's say that a vacant lot sold at fair market value was \$25,000, one alternative would be to have Mr. Pistoresi give us \$15,000 then it becomes a fair market transaction and we are no longer worried about the affordability covenant. Member Svanda said on the reverse side, if the appraisal comes in at \$9,000, then it's a different story. Mr. Taubert said that might be a scenario we don't want to deal with. Member Svanda said it's an option that might get us there.

Mr. Pistoresi said he didn't want to take up more time, and will leave it in the Board's capable hands and whatever we can work out will be greatly appreciated.

Chairperson Poythress returned to the Council Chambers at 7:25 p.m.

8. GENERAL

There are no items for this section.

9. AGENCY MEMBER REPORTS

Council/Agency Member Bompreszi reported that she got to participate in two of the graffiti presentations; one at Berenda School and one at Washington School, adding it is a great program.

Council/Agency Member Svanda reported that he attended the 40th Anniversary Celebration at Madera Community Hospital with Mayor Pro-Tem Frazier and said that the employees, management and boards need to be commended for their outstanding work over the past 40 years. It is a great enhancement to our community.

Council/Agency Member Medellin reported that he attended the Citizens' Academy at the Police Department and commented that the academy is doing very well, very interested, and said that there are just a couple of people missing from each meeting, but for the most part it is great participation with lots of questions. He said often they have to wrap it up by 8:00 as the questions can take it to 8:30 or 9:00 p.m. He said there are two more meetings. Mr. Tooley said the next meeting will cover Finances and the last meeting will cover Code Enforcement, Redevelopment and a call to action. Member Medellin said that he thought it was a big eye-opener to the citizens and that they in turn will tell friends, family and co-workers and get the word out. He said it is doing what it was intended to do and he commended Mr. Tooley and staff.

Council/Agency Member Frazier said that he received a phone call yesterday from a citizen inquiring how they can get involved in the Citizens' Academy. Mr. Tooley noted that the plan is to take continuous applications for the Citizens' Academy. He anticipates doing at least two sessions this fiscal year, and it is

his hope that we will see two sessions every year. He said it will add to that base of engaged citizens that Code Enforcement and Redevelopment have created.

Council/Agency Member Bompreszi reported that at the last Citizens' Academy, the Police Explorers were there and they joined our group and got to see the workings of a fire truck. Member Medellin added to grab the youth was really great.

Mayor/Chairperson Poythress asked for volunteers to be at the next Tuesday's Citizen's Academy. Member Svanda and Member Frazier volunteered. Mr. Tooley advised there is a light dinner served at 5:30 p.m., presentations from 6 to 8 p.m. with a budgeting exercise for the group.

Council/Agency Member Frazier noted that he read an article in the Tribune where a tagger was arrested and convicted to 3 years jail time and was glad to read it.

Mayor/Chairperson Poythress reported on his activities during the past week that included reading to eight different kindergarten classes at three different schools; attended a block party on Fillmore Street; attended the Fiesta in the Park; attended the Fall Policy Conference for the Valley Voice at Bass Lake. He noted that the conference included a presentation on the High Speed Rail project and a Valley Voice trip to Washington.

Jim Taubert reported that the Board of Supervisors approved the grant application for the Neighborhood Stabilization Program 3 grant at yesterday's meeting to complete the NSP rehabs in the Parkwood area. He also reported that tomorrow a group called the "Graffiti Fighters" will meet at the Pan Am Center from 9 a.m. to 3 p.m.

10. ADJOURNMENT

Mayor/Chairperson Poythress adjourned the Joint Special Meeting of the Madera City Council and Regular Meeting of the Madera Redevelopment Agency at 7:35 p.m.


Sandi Brown, Agency Secretary


Mayor/Chairperson Robert Poythress