



AGENDA # \_\_\_\_\_

## *Staff Report*

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**To: Honorable Mayor and City Council**

**From: Brian S. Nakamura, City Manager**

**Date: February 22, 2011**

**SUBJECT: Public Hearing: Neighborhood Stabilization Program 3 Application**

### **RECOMMENDATION:**

It is recommended that the City Council:

1. Conduct a Public Hearing on Neighborhood Stabilization Program 3 Grant Application; and,
2. Approve the Neighborhood Stabilization Program 3 Grant Application and authorize the City Manager to execute any and all documents associated with the application and the NSP3 Program; and,
3. Amend the Neighborhood Stabilization Program Guidelines to increase the subsidy from \$20,000 to \$30,000 and to allow a portion of NSP funds to be used for \$5,000 Home Buyer Assistance Loans.

### **BACKGROUND:**

#### **Neighborhood Stabilization Program 1**

On July 30 2008, the Housing and Economic Recovery Act of 2008 (HERA) was signed into law, establishing the Neighborhood Stabilization Program (NSP). NSP provided emergency assistance to address the foreclosure crises in 300 cities, counties and states across the Nation. The U.S. Department of Housing and Urban Development (HUD) was charged with administering this new program on an accelerated time frame because the foreclosure problem was severe and time-sensitive. In March 2009, HUD awarded the City of Hemet a \$2,888,473 NSP grant.

In the first eighteen months of this grant, staff developed NSP program guidelines, entered into agreements with several major banks to purchase bank-owned homes at a discount (before they go on the open market) and contracted with four Development Partners (general contractor/real estate broker teams) to assist the City in this

program. All \$2.8M of NSP1 funds were obligated during the required eighteen-month period and the City passed a HUD 3-day on-site monitoring without any negative findings.

To date, thirty-five foreclosed and abandoned single-family homes have been purchased and rehabilitated and are in the process of being sold. In addition, three fourplexes on Mobley Lane were purchased with NSP1 funds.

Per City Council approved Program Guidelines, the City lends its Development Partners (DPs) funds to acquire abandoned and foreclosed homes. The DPs obtain their own financing to rehabilitate these properties. After rehabilitation, the DPs sell the homes to qualified homebuyers. The DP's repay the City the amount they borrowed to acquire the homes, less the subsidy (see section below on subsidy). Over the last year, the DPs have re-paid the City over \$1M. The City re-lends these funds to the DPs to acquire and rehabilitate more homes.

### Neighborhood Stabilization Program 3

In July 2010, the third round of NSP funds was authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act (NSP3). NSP3 provides \$1 Billion to be allocated nationwide using the same formula for allocation as NSP1. There are 278 grantees nationwide (including states, counties and cities). Thirteen Inland Empire jurisdictions will receive an NSP3 allocation. The Inland Empire received over 50% of the NSP3 funds in California. During the last six months, 760 more Hemet families defaulted on their mortgages or their homes are being auctioned.

HUD has set aside \$1,360,197 of NSP3 funds for the City of Hemet. In order to secure this grant, the City must submit a NSP3 Application. The City has two years to spend 50% of the funds and three years to spend 100% of the funds.

Because there is a continuing need and the initial NSP1 program was successful, staff is proposing to continue the same program design, which would be to: 1) acquire/rehabilitate/re-sell abandoned and foreclosed single-family homes, and 2) utilize 25% of the NSP grant monies to benefit very-low income households, as required by HUD, typically by acquiring rental properties.

A public notice was posted and published in a newspaper summarizing the NSP3 proposal and requesting comments from the public. The public review period ends on February 21, 2011. No comments had been received at the time this staff report was prepared.

### **ANALYSIS / DISCUSSION:**

#### Revised Target Area

The only significant regulation changed by HUD in the NSP3 program, is a reduction in size of the Target Area in which foreclosed homes can be purchased. In the NSP1, almost the entire City qualified as a Target Area. Now HUD requires a more focused target area in order to encourage greater neighborhood impact. HUD has provided the

City with data showing what neighborhoods have the highest concentration of Notices of Defaults and Bank Owned properties.

The proposed Primary Target Area is bordered by Acacia Avenue on the north, Palm Avenue on the west, San Jacinto on the east and Johnston Avenue on the south (with the exception of a couple of blocks that extend to Thornton on the north (see Target Area maps attached to the NSP3 Application).

The Primary Target Area has an older housing stock than the rest of the City, yet the homes are generally well built and structurally sound. Based on the number of defaults, this area is projected to have the highest number of foreclosures in the near future. The Primary Target Area has traditionally been occupied by homeowners. However, it is at risk of converting to more rental properties if these homes are purchased by investors.

Staff is also proposing a Secondary Target Area in case our DPs cannot acquire enough eligible homes in the Primary Target Area in the time allotted by HUD. This area is bordered by Latham Avenue on the south, Elk Street on the west, Oakland Avenue on the north and San Jacinto on the east.

#### Increased Subsidy

Over the last two years, staff has observed that Hemet's program would be more effective if it were to increase its maximum subsidy from \$20,000 to \$30,000. The subsidy is the difference between the After-Rehabilitation Sales Price and the Total Development Cost (cost of home purchase and rehabilitation, developer fee, and sales commission).

The rationale for an increased subsidy is as follows:

1. Many times the DPs will choose not to purchase a distressed property because the subsidy is insufficient to cover the rehabilitation costs. Many homes may be structurally sound, but have special problems like an illegal room addition that needs to be removed, or unsafe electrical or a leaking gas line behind a wall. All NSP homes must be brought up to code. This type of rehabilitation preserves the housing stock and neighborhood, but is a cost that cannot be fully recovered in the sales price. Thus, the need for a subsidy.
2. In many cases, when the City's DPs choose not to purchase an abandoned/foreclosed home, investors purchase it. During the last year in Hemet, twenty-nine percent (29%) of single-family homes have been sold to investors as opposed to owner-occupants. Most investors spend a minimal amount on rehabilitating these homes before renting them out. The City is trying to preserve the housing stock and prevent targeted neighborhoods from converting from homeownership to rentals.
3. Some abandoned homes are in such deteriorated condition that investors won't purchase them and they sit vacant for years. Often they are not in bad enough shape to warrant demolition. NSP can rehabilitate and put these homes back onto the market and increase the market value of the homes in the neighborhood at the

invisible  
impoverish

same time. In this way NSP can reverse the downward spiral of housing values in target neighborhoods.

4. One goal of the NSP is to extend the life of homes by 20 – 30 years so that new occupants are not faced with major repairs or improvements after they buy the home. It would be cost effective to raise the rehabilitation standards (to paint most NSP homes, provide more energy-efficient homes and improve the front-yard landscaping).
5. According to the DPs, the cost of construction materials has increased and sale prices have decreased.

There are many checks and balances in Hemet's NSP to assure that funds are used efficiently. The DPs bid against each other for the homes they wish to purchase and rehabilitate, thus insuring the least subsidy on each property. The City approves the lowest reasonable bid. The City also contracts with a consulting company Civic Stone to help manage the day-to-day work on NSP. Civic Stone's inspector must approve every DPs Scope of Work and the work itself before the home is sold.

The down side of raising the subsidy level is that the subsidy "stays with the home", i.e. it is not returned as Program Income, to be used again to purchase and rehabilitate subsequent homes.

Hemet probably has the lowest NSP subsidy level of the thirteen Inland Empire cities and counties that administer NSP programs. Riverside County and the City of Riverside allow up to \$75,000, Moreno Valley allows \$25,000 - \$45,000, San Bernardino allows 50% of the cost of acquisition and rehabilitation and Rialto allows \$30,000.

#### Home Buyer Assistance Loans

Most home buyers can afford the monthly payment. However, many lack sufficient money for a down payment and closing costs. Staff proposes to provide home buyers with a \$5,000 NSP funded loan to cover a portion of the down payment and closing costs and provide an incentive for home buyers to purchase the NSP home with an affordability covenant (required by HUD). The \$5,000 NSP funded loan will be in second position behind a traditional 30-year fixed mortgage for their home. The \$5,000 loan does not require any monthly payments and so it is deferred until the home buyer sells their home. The loan accrues simple interest at 5% for five years. If the homebuyer sells the home after 5 years, the accrued interest is forgiven.

#### Budget

The proposed NSP3 budget would be as follows:

\$774,128	Acquisition/Rehabilitation/Resale of foreclosed single-family homes
340,049	Acquisition of rental properties
110,000	Home Buyer Assistance Loans
136,020	<u>Administration</u>
<u>\$1,360,197</u>	Total NSP3 Grant

**FISCAL IMPACT:**

While there is only a nominal expense to prepare the application and conduct this public hearing, the potential fiscal impact to the City and the community is significant because up to \$1,360,197 of Federal funds could arrive in Hemet to aid in mitigating the foreclosed and vacant home crisis if funds are awarded to Hemet for NSP3.

**CONCLUSION:**

It is respectfully recommended that the City Council:

1. Conduct a Public Hearing on Neighborhood Stabilization Program 3 Grant Application; and,
2. Approve the Neighborhood Stabilization Program 3 Grant Application and authorize the City Manager to sign the application; and,
3. Amend the Neighborhood Stabilization Program Guidelines to increase the subsidy from \$20,000 to \$30,000 and to allow a portion of NSP funds to be used for \$5,000 Home Buyer Assistance Loans.

Prepared by,

Mark Trabing  
Housing Manager

Reviewed by,

John Jansons  
Redevelopment Manager

Attachments: 1. NSP 3 Application



# MINUTES

## REGULAR MEETING OF THE HEMET CITY COUNCIL

February 22, 2011

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**3:00 p.m.**

**[www.cityofhemet.org](http://www.cityofhemet.org)**

**City of Hemet Council Chambers**

**450 E. Latham Avenue**

*Please silence all cell phones*

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### Call to Order

Mayor Franchville called the meeting to order at 3:00 p.m.

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### Roll Call

**PRESENT:** Council Members Foreman, Krupa and Smith, Vice Mayor Youssef and Mayor Franchville

**ABSENT:** None

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### Work Study Session

*Discussion regarding this item, with possible direction to staff*

1. R3 Presentation of Analysis on Refuse - Brian Nakamura/Richard Tagore-Erwin **Brian Nakamura, City Manager**, the City Council directed staff to analyze the service, efficiencies and inefficiencies of the City's Refuse Division. The Division has some upcoming financial responsibilities that are due to unfunded regulations. This will required an increase in the rates to continue providing the service. R3 has prepared an analysis to determine the Division's value to the City and the residents and provide options for to the City Council.

**Richard Tagore-Erwin, R3**, the goal of the analysis is to protect the customers, by providing high quality services at a competitive rate. It is also important to protect the City by providing a stable funding source and reducing future financial liability. Mr. Tagore-Erwin discussed the major issues facing the division. The aging fleet will require the City to spend approximately \$9.1 million for equipment replacement. That is equal to approximately \$1.3 million per year or a 12.7% rate increase. The Mandatory Commercial and Multi-Family Recycling regulation takes effect July 1, 2011. By 2020 the State's mandated diversion increases to 75%. With the closure of Puente Hills in 2012, the LA County Rail-Haul costs, Orange and San Bernardino restriction on out-of-county waste, San Diego County landfill capacity deficit and the possibility of Riverside County privatizing their landfill system, the landfill tip costs will increase. Traditionally, commercial rates have offset costs for residential customers. The current residential rates are among the lowest in the area. The current commercial rates are among the highest in the area. The Refuse Division has an annual operating budget of \$11.8 million. The Divisions projected revenue is \$113 million, approximately \$29.3 million is for street impacts and other City support

services. If the City of Hemet considers outsourcing its Refuse Services, the estimated buy-out cost would be \$4.9 million. The potential annual financial benefits would be \$4.2 million. The City would also benefit from potential reduced liability for capital outlay and the cost of increased services. If the City Council directed staff to move forward with the process, a Competitive Process would be conducted. Minimum terms would be established after which a letter of interest and or request for proposal would be issued. The RFP documents might include: introduction; background; requested services; general instructions; proposal preparation instructions; required work plans; and franchise agreement. Service goal and requirements would need to be established. An apples to apples comparison would need to be conducted. The results of the process would be presented to the City Council for consideration. This process will take approximately 13 months with a projected go forward date for outsourcing of June 1, 2012. R3 is recommending that the City Council direct staff to issue a request for Letter of Interest/RFP. If responses are positive complete the outsourcing process. If responses are negative begin the rate adjustment process to align the Refuse Division's needs with the City's budget needs.

The City Council discussed the recourse if the service provider does not meet the City's expectations.

The City Council discussed the aging fleet and its ability to be re-powered to meet new regulations.

The City Council discussed the requirements placed on municipal refuse providers that are not required of private haulers.

The City Council discussed transition and the possible employment of the current Refuse Division Employees.

**Council Member Smith**, requested from R3 a list of cities that have outsourced their refuse services, including their rates and rate increase history.

**Mayor Franchville**, expressed concern with the upcoming equipment replacement costs that will require a substantial rate increase to the residents. Refuse providers have shown an interest in our system. Mayor Franchville recommended that the City Council direct staff to move forward with the next step toward the RFP process.

**Eric Vail, City Attorney**, with City Council direction staff will bring back a revised contract with R3 to prepare the RFP. There is some work that staff and the contractor will have to do prior to preparing for the RFP. Staff will come before the City Council for requirements a number of time before the actual RFP goes out.

**The City Council gave direction to staff to prepare a scope of work and revised contract with R3 to move forward with the RFP process.**

The City Council recessed to Closed Session at this time.

2. Public Safety Analysis Presentation - Brian Nakamura/Joe Brann

**This item was continued to the 7:00 p.m. Regular Session.**

**Brian Nakamura, City Manager**, one the City Council's goals and objectives was to determine how the City of Hemet can provide the most efficient and effective services possible. Mr. Joe Brann has been asked to provide the City Council with a presentation. **Joe Brann**, explained to the City Council the concept and advantages of "Community Policing and Problem Solving". 24 years ago this program did not exist, now it is a predominately used program. This assessment will validate the services provided by the Police Department. It is imperative that all participants are on board with the assessment. Agencies participating have seen a decrease in crime and an increase in effectiveness. It is my understanding that the City Council is interested in achieving the best outcome in the most cost effective manner. This analysis will be a fresh outlook at the operation, working in sync with the members of management and the rank and file. The focus will be on the service delivery to the community, with the goal of right sizing the organization. This process will require that the stakeholders be engaged to achieve organization structure and appropriate staffing. Options and their associated cost will be presented to the City Council for consideration. Mr. Brann requested individual meetings with each member of the City Council to make sure the desired outcome is clear, prior to moving forward with the first step. Mr. Brann distributed a list of traditional performance measures used in the assessment. The assessment will help determine the most effective and efficient way to deliver services, wether that means with a City Police Department, contracting with another agency or establishing a Joint Powers Authority. Subsequently, the path to implement the desired outcome can be determined.

The City Council and Mr. Brann discussed the feasibility of achieving a buy in from the community.

**Mr. Brann**, used the City of Santa Ana as an example. The City was a hotbed of crime in the last 60's and early 70's. After moving forward with Community Policing, the crime has reduced every year. The crime rate today is less than it was 30 years ago. The reduction in crime across the country is due, in part, to the number of agencies that participate in Community Policing. The crime today is less than in the 1960's, only more apparent due to mass media.

The City Council and Mr. Brann discussed the pros and cons to the 911 system.

The City Council and Mr. Brann also discussed the average and/or most appropriate staffing level. Mr. Brann does not include staff level as a performance measure. Some cities need more or less staff than others.

The City Council and Mr. Brann discussed the feasibility of this program with the reduction in budget and/or officers.

**Mayor Franchville**, expressed some hesitation to the fact that "Community Policing" can be done with the City's budget level.

**Mr. Brann**, after individual meetings with the City Council members, the needs will be determined and a team of professionals will be assembled to achieve the City Council's desired outcome. The City of Hemet is past the point where cuts can be made without legitimate reductions in service levels.

**The City Council gave direction to staff to schedule individual meetings with the City Council Members and Mr. Brann, after which a scope of work can be determined and brought back for City Council consideration.**

3. City of Hemet Boards and Commissions - Brian Nakamura  
**This item was not discussed.**
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## **Closed Session**

### **Notice of Opportunity for Public Comment**

There were no public comments presented.

The City Council recessed to Closed session at 4:01 p.m.

The City Council recessed at 4:51 p.m. until 6:00 p.m.

The City Council reconvened at 6:00 p.m. and recessed to Closed Session at 6:00 p.m.

Council Member Foreman was absent.

4. Conference with Legal Counsel - Existing Litigations

Pursuant to Government Code section 54956.9(a)

Name of case: Weeda v. City of Hemet  
Jane Doe v. City of Hemet  
Mercury Casualty v. City of Hemet  
Toungat v. City of Hemet  
Mahler v. City of Hemet  
Peters v. City of Hemet  
Evans v. City of Hemet

5. Conference with Legal Counsel - Anticipated Litigation

5 matters of significant exposure to litigation pursuant to Government Code section 54956.9(b)

6. Conference with Labor Negotiators

Pursuant to Government Code section 54957.6

Agency designated representatives: *City Manager Nakamura*

*Employee Organizations:*

*Service Employees International Union (SEIU) General Employees  
Communications Workers of America (CWA) Non-Sworn Police Employees  
Hemet Fire Fighters Association  
Hemet Fire Management Association  
Hemet Police Officers Association  
Hemet Police Management Association  
Administrative Personnel  
At-Will Employees*

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## REGULAR SESSION

7:00 p.m.

City of Hemet Council Chambers  
450 E. Latham Avenue

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### Call to Order

Mayor Franchville called the meeting to order at 7:10 p.m.

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### Roll Call

PRESENT: Council Members Krupa and Smith, Vice Mayor Youssef and Mayor Franchville

ABSENT: Council Member Foreman

**Council Member Smith moved and Vice Mayor Youssef seconded a motion to excuse Council Member Foreman. Motion carried 4-0.**

OTHERS PRESENT: City Manager Nakamura, City Attorney Vail and City Clerk McComas

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### Invocation

Invocation was given by Gary Fowler, Hemet/San Jacinto Interfaith Council.

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### Pledge of Allegiance

Pledge of Allegiance was led by Vice Mayor Youssef.

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### City Attorney Closed Session Report

7. Conference with Legal Counsel - Existing Litigations

Pursuant to Government Code section 54956.9(a)

Name of case: Weeda v. City of Hemet  
Jane Doe v. City of Hemet  
Mercury Casualty v. City of Hemet  
Toungt v. City of Hemet  
Mahler v. City of Hemet  
Peters v. City of Hemet  
Evans v. City of Hemet

**The City Attorney reported that the City Council received an update on the status of the listed cases. There was no additional reportable action.**

8. Conference with Legal Counsel - Anticipated Litigation

5 matters of significant exposure to litigation pursuant to Government Code section 54956.9(b)

**The City Attorney reported that the City Council gave its legal counsel the authority to move forward against five marijuana collectives operating illegally in Hemet. There was no additional reportable action.**

9. Conference with Labor Negotiators  
 Pursuant to Government Code section 54957.6  
 Agency designated representatives: *City Manager Nakamura*  
*Employee Organizations:*  
     *Service Employees International Union (SEIU) General Employees*  
     *Communications Workers of America (CWA) Non-Sworn Police Employees*  
     *Hemet Fire Fighters Association*  
     *Hemet Fire Management Association*  
     *Hemet Police Officers Association*  
     *Hemet Police Management Association*  
     *Administrative Personnel*  
     *At-Will Employees*

**The City Attorney reported that the City Council gave direction to the Agency's designated representatives. There was no additional reportable action.**

## **City Council Business Consent Calendar**

10. **Recommendation by Council Member Smith** - Planning Commission Appointment
  - a. Appoint Vincent Overmyer to Seat 5 on the Planning Commission, with a term to expire April 1, 2011.
11. **Approval of Minutes** - January 25, 2011
12. **Approval of Minutes** - January 29 and 30, 2011
13. **Approval of Minutes** - February 7, 2011
14. **Receive and file** - Investment Portfolio as of September
15. **Receive and file** - Warrant Register
  - a. Warrant registers dated January 27, 2011, February 1, 2011 and February 10, 2011. Payroll for the period of January 24, 2011 to February 6, 2011 was \$644,409.15.
16. **Recommendation by City Manager** - Riverside County Supervisorial Redistricting
  - a. Adopt a joint resolution of the cities of Hemet and San Jacinto declaring their support for a redistricting of the Riverside County Supervisorial Districts that will maintain the San Jacinto Valley within one Supervisorial District.  
**(Resolution No. 4385)**

17. **Recommendation by City Manager** - Support of High Speed Rail Project - Los Angeles to San Diego Section
  - a. Authorize the Mayor to sign a letter of Support for the High Speed Rail Project - Los Angeles to San Diego Section; and
  - b. Adopt a resolution supporting a high speed rail alignment along the I-215 corridor with stations near March Air Reserve Base and the downtown San Bernardino Transit Center.  
**(Resolution No. 4386)**
  
18. **Recommendation by City Clerk** - Amendment No 4, Western Riverside County Regional Conservation Authority
  - a. Authorize the Mayor to sign the Fourth Amended and Restated Joint Exercise of Powers Agreement (JPA) creating the Western Riverside County Regional Conservation Authority.
  
19. **Recommendation by Public Works** - Installation of Banners Across Florida Avenue
  - a. Valley Wide Recreation - Youth Baseball & Softball Sign-ups.
  - b. Valley Wide Recreation - Country Fair
  - c. Habitat for Humanity - 9<sup>th</sup> Annual Diamond Valley Lake Marathon
  - d. C.A.S.A. Center Against Sexual Assault - Denim, Diamonds & Decadent Desserts Fundraiser.
  - e. American Cancer Society - Relay for Life
  - f. Hemet/San Jacinto Valley Chamber of Commerce - Fiesta
  - g. Valley Wide Recreation - Diamond Valley Lake Docent Program
  - h. Assistance League - Volunteer Recruitment
  
20. **Recommendation by Public Works** - Stetson Avenue Bridge Replacement - Project No. 5537, Professional Services Contract Amendment No. 1
  - a. Approve Amendment No. 1 of the Professional Services Agreement with Cozad & Fox, Inc. of Hemet CA, in the amount of \$26,910 for the design of a new bridge at the intersection of Stetson Avenue and the Hemet Storm Channel
  - b. Approve an appropriation in the amount of \$26,910 in the Gas Tax Fund No. (Account #221-5537-2710) to cover the costs associated with the contract.

Item Nos. 10, 16, 17 and 20 were removed from the Consent Calendar. **Vice Mayor Youssef moved and Council Member Krupa seconded a motion to approve the remaining Consent Calendar items. Motion carried 4-0.**

Item No. 10

**Council Member Smith**, recommended that the City Council approve the recommendation of Vincent Overmyer for Planning Commission. Mr. Overmyer was not available to attend the meeting.

**Council Member Krupa moved and Vice Mayor Youssef seconded a motion to approve this item as presented. Motion carried 4-0.**

Item No. 16

**Vice Mayor Youssef**, asked when San Jacinto will consider adoption of a similar resolution.

**Brian Nakamura, City Manager**, San Jacinto will consider a similar resolution at their next Regular Council Meeting.

**Vice Mayor Youssef moved and Council Member Smith seconded a motion to approve this item as presented. Motion carried 4-0.**

Item No. 17

**Council Member Smith**, not opposed to the project, but reminded the City Council that Hemet's priority needs to be Highway 79 and the Mid-County Parkway.

**Council Member Krupa moved and Vice Mayor Youssef seconded a motion to approve this item as presented. Motion carried 4-0.**

Item No. 20

**Brian Nakamura, City Manager**, continued Item No. 20 to a later date.

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### **Communications From the Public**

**Luann Stockton, Floral Expressions**, expressed concerned with the issuance of temporary permits to transient vendors. During the holidays these vendors detract from possible business for the established businesses in Hemet.

**Ms. Stockton was referred to the City Manager's Office.**

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### **Public Hearings**

21. **Neighborhood Stabilization Program 3 NSP Application** - Housing Manager Trabling
  - a. Conduct a Public Hearing to take comments; and
  - b. Approve the application for a Neighborhood Stabilization Program 3 Grant Application and authorize the City Manager to sign the application; and
  - c. Amend the Neighborhood Stabilization Program Guidelines to increase the subsidy from \$20,000 to \$30,000 and to allow a portion of NSP funds to be used for \$5,000 Home Buyer Assistance Loans.

**Mark Trabling, Housing Manager**, the NSP3 Funds will be used in the same way that the NSP1 funds were. Staff is proposing an increase in the maximum subsidy from \$20,000 to \$30,000 due to the average cost to rehabilitate the properties to City Standards. Staff is also proposing that a portion of the NSP3 funds be used for home buyer assistance loans.

**Adam Ellison**, showed the City Council a map of the homes that have been purchased with the NSP1 funds. These homes have either been rehabilitated and sold or are still in the process. Mr. Ellison also showed the City Council before and after photos of the homes purchased and rehabilitated. Housing and Urban Development (HUD) was impressed with the City of Hemet's efforts, another \$1.3 million as been awarded for the program. Mr. Ellison presented a budget summary that included: \$136,000 for administration; \$340,049 for rentals - acquisitions/rehabilitation; \$110,000 home buyer assistance loans; \$774,128 single family - acquisition/rehabilitation; \$30,000 average subsidy per single family home; and \$50,000 average subsidy per rental unit. Mr. Ellison showed the City Council the proposed target area and explained the methodology used to determine the target area. The target areas is generally located: south of Acacia Street; north of Stetson Avenue; west of San Jacinto Street and east of Palm Avenue. With a secondary area defined as: north of Florida Avenue; south of Latham Avenue; east of Palm Avenue; and west of San Jacinto Street. HUD requires that NSP3 funds are allocated to the "areas of greatest need" and very focused target areas. HUD expects 50% of the NSP3 funds to be spent within 2 years and 100% spent within 3 years. The NSP1 funds are still available in the larger target area which encompasses 50% of the City. Staff is recommending that the maximum subsidy amount be increase from \$20,000 to \$30,000 per property. Staff is also recommending that \$110,000 be used for home buyer assistance loans. In addition, staff is recommending approval of the application for NSP3 grant funds and that the City Council authorize the City Manager to execute all necessary forms for submittal to HUD.

**Mayor Franchville declared the Public Hearing opened at 7:41 p.m.**

There were no public comments presented at this time.

**Mayor Franchville declared the Public Hearing closed at 7:42 p.m.**

The City Council and staff discussed the requirement to provide rental opportunities and the screening process that will be used.

**Mayor Franchville moved and Council Member Krupa seconded a motion to approve this item with the requirement that the screening process be approved prior to the implementation of the funds. Motion carried 4-0.**

**22 Zoning Ordinance Amendment No. 11-001 Regarding Medical Marijuana Dispensaries** - Community Development Director Elliano

- a. Conduct a Public Hearing to take comments; and
- b. Introduce, read by title only and waive further reading of an ordinance adding Section 90-79 to Article III of Chapter 90 (Zoning) to the Hemet Municipal Code prohibiting the establishment and operation of medical marijuana dispensaries in the city.

**(Ordinance Bill No. 11-004)**

**Deanna Elliano, Community Development Director**, the proposed zoning ordinance amendment will prohibit dispensaries from operating in any zone in the City and will make it illegal for a property owner to rent to such establishments. This ordinance does not prohibit the consumption of marijuana by people with the necessary documentation. A public hearing was conducted with the Planning Commission with public comment presented. The Planning Commission expressed concern and noted that options for obtaining marijuana for medicinal purposes are available. The Commission voted

unanimously to recommend approval of the ordinance by the City Council. There are still inconsistencies in the State and Federal laws that need to be worked out within the legal system. The 2009 White Paper prepared by the Police Chiefs Association, cites increasing crime in neighborhoods where collectives are established. Staff is recommending that the City Council introduce, read by title only and waive further reading of Ordinance Bill No. 11-004 adding Section 90-79 to Article III of Chapter 90 (Zoning) to the Hemet Municipal Code prohibiting the establishment and operation of medical marijuana dispensaries in the city.

**Mayor Franchville declared the public hearing opened at 7:58 p.m.**

**John Gifford, Hemet Planning Commissioner**, spoke in favor of the ordinance. There will be speakers that will talk about their freedom to use the marijuana, and those that use it for medicinal purposes. There are also people that want the freedom from this type of facility or business in our community. The marijuana users can go elsewhere to purchase the marijuana, we can't, We would just have to live with the dispensaries on our community.

**Eddy Hooper, Wellness 951**, spoke in opposition of the ordinance. Wellness 951 wants to work with the City of Hemet to be the solution and not the problem. Our goal is to provide the medical marijuana to those in need. We agree with the concerns for the safety and the quality of medication. We have gone above and beyond to apply all of these concerns in our business. Marijuana does have side effects, all over the counter medicine does. It is very expensive to cultivate medical marijuana, chronically ill patients should not have to deal with this costly and time consuming workload.

**Elizabeth Torres**, spoke in opposition of the ordinance. Ms. Torres uses medical marijuana to deal with a nerve problem, allowing her to care for her 4 year old.

**Howard Lieberman, Orthopedic Surgeon**, spoke in opposition of the ordinance. Years ago cocaine and morphine were not considered controlled narcotics. Now they are used successfully as class 2 pain medications. Studies have been done that it prove that medical marijuana relieves pain for cancer and chemo patients.

**John Dodgridge, Hemet**, spoke in opposition of the ordinance. Mr. Dodgridge uses medical marijuana for medicinal purposes. Mr. Dodgridge disputed the information written in the Police Chief's White Paper.

**Ellen Gould, San Jacinto**, spoke in opposition of the ordinance. Ms. Gould uses medical marijuana for medicinal purposes. Due to medical reasons Ms. Gould can not drive making it harder to get marijuana without a dispensary in Hemet.

**Deborah Leiberman, Hemet**, spoke in opposition of the ordinance. Ms. Leiberman suggested that the City Council continue this action and try to work out a plan. Hemet needs to have a medical dispensary for the residents that need it.

**Mayor Franchville declared the public hearing closed at 8:17 p.m.**

**Vice Mayor Youssef moved and Council Member Smith seconded a motion to introduce, read by title only and waive further reading of Ordinance Bill No. 11-004. Motion carried 4-0.**

**The ordinance was read by title only.**

23. **Municipal Code Amendment No. 10-002, Proposed Regulations for Containment and Retrieval of Shopping Carts** - Community Development Director Elliano
- a. Conduct a public hearing to take comment;
  - b. Introduce, read by title only and waive further reading of an ordinance amending Division 3 of Article 2 of Chapter 30 of the Hemet Municipal Code relating to shopping cart containment and retrieval.

**(Ordinance Bill No. 11-006)**

**Deanna Elliano, Community Development Director**, this ordinance will amend the Municipal Code regulating the containment and retrieval of shopping carts. The proposed ordinance includes the mandatory provisions and limitations under existing State law regarding the City's ability to retrieve and impound shopping carts. The Planning Commission recommended that the City Council look into options for cart retrieval services. The City Attorney and staff look into a City contracted retrieval service, but do not believe that the City has the authority to compel a business to participate. The draft ordinance was noticed and letters have been sent to the vendors. Currently, the City has over 500 shopping carts that have been retrieved and not claimed. Staff will bring forward a fee resolution for City Council consideration.

**Mayor Franchville declared the Public Hearing opened at 8:23 p.m.**

**Fred Hanson, Stater Bros.**, explained their current retrieval plan to confirm that they are in compliance.

**Ms. Elliano**, a form on file demonstrating their system is all that is to be in compliance.

**Mayor Franchville declared the Public Hearing closed at 8:25 p.m.**

**Council Member Smith**, asked about signage requirements.

**Ms. Elliano**, confirmed that signage requirements are included in the ordinance.

**Vice Mayor Youssef**, confirmed that the resolution setting a fee will be forthcoming.

**Ms. Elliano**, confirmed that two resolutions will be coming to the City Council for consideration. One resolution will set a modest fee for plan review, inspections and impound fees to retrieve the carts from the Corporation Yard. The other resolution will set the fees and fines for established administrative citations.

**Vice Mayor Youssef moved and Council Member Smith seconded a motion to introduce, read by title only and waive further reading of Ordinance Bill No. 11-006. Motion carried 4-0**

**The ordinance was read by title only.**

Work Study Sessions Item No. 2 was presented at this time.

## **Discussion/Action Items**

24. **Allocation of 2011-2012 Program Year Community Development Block Grant entitlement and reprogramming of unexpended prior year Community Development Block Grant** - CDBG Coordinator Callahan
- a. Accept and approve the Community Development Block Grant (CDBG) Application Review Committee's recommended allocation of \$570,555 to \$760,740 in expected 2011-2012 CDBG funds; and

- b. Reprogram unexpended prior year's funds of \$77,629; and
- c. Incorporate these recommendations into the Annual Action Plan draft.

**Mark Orme, Deputy City Manager**, staff is recommending that the City Council approve the Committee's recommendations, approve the reprogramming the prior years funds and incorporate these recommendations into the Annual Action Plan draft.

The City Council and staff discussed the proposed CDBG funding reduction. Staff has not received the actual funding amount.

**Council Member Krupa**, expressed concern with some of the allocations.

The City Council and staff discussed the process and expressed concern with the allocations that were recommended based on the ranking system and the number of Hemet residents served.

**The City Council gave direction to staff to present a report from the Committee Members explaining the evaluation process.**

**Council Member Krupa moved and Council Member Smith seconded a motion to continue this item to March 8, 2011. Motion carried 3-1. Vice Mayor Youssef voted No.**

25. **Approval of a Professional Services Agreement with the YMCA for Professional Facility Operation Management Services of the James Simpson Center** - Deputy City Manager Orme

- a. Authorize the City Manager to enter into a Professional Services Agreement with the YMCA of Riverside City & County for professional facility operation management services of the James Simpson Center; and
- b. Authorize the City Manager to notify the Service Employees International Union (SEIU) of the contracting out of services; and
- c. Authorize the City Manager to notify the Family Services Association (FSA) of the contracting out of services at the Center; and
- d. Authorize the City Manager to give the thirty day written notice of termination of the consultant services agreement with Custom Service Systems for janitorial contract services for the Simpson Center and Library.

**Mark Orme, Deputy City Manager**, the City Council previously gave direction to staff to prepare an agreement with the YMCA for Professional Facility Operation Management Services of the James Simpson Center. Mr. Orme explained the staffing situation at the Simpson Center. The two current employees at the Simpson Center will be assigned to the Library and the Corporation Yard. Mr. Orme gave the City Council a report on the proposed General Fund savings for the next five years.

**Mayor Franchville moved and Council Member Krupa seconded a motion to approve this item as presented. Motion carried 4-0.**

## City Council Reports

26. CITY COUNCIL REPORTS AND COMMENTS

- A. Council Member Foreman
  - 1. Traffic and Parking Commission
  - 2. Park Commission
  - 3. Indian Gaming Distribution Fund

- B. Council Member Krupa
  - 1. Library Board
  - 2. Airport Land Use Commission (ALUC)
  - 3. Riverside County Habitat Conservation Agency (RCHCA)
  - 4. Riverside Conservation Authority (RCA)
  - 5. Ramona Bowl Association
  - 6. Indian Gaming Distribution Fund
  
- C. Council Member Smith
  - 1. League of California Cities
  - 2. Riverside County Transportation Commission (RCTC)
  - 3. Planning Commission
  
- D. Vice Mayor Youssef
  - 1. Western Riverside Council of Governments (WRCOG)
  - 2. Riverside County Transportation Commission (RCTC)
  
- E. Mayor Franchville
  - 1. Riverside Transit Agency (RTA)
  - 2. Airport Land Use Commission (ALUC)
  - 3. League of California Cities
  
- F. Ad-Hoc Committee Reports
  
- G. City Manager Nakamura
  - 1. Manager's Reports
  - 2. Formation of a Public Safety AdHoc Committee

**Brian Nakamura, City Manager**, discussed with the City Council the formation of an Ad-Hoc Public Safety Committee.

- 3. Formation of a Joint Economic Development AdHoc Committee

**The City Council gave direction to the City Manager to work with San Jacinto to determine the intention of the two requested committees.**

- 4. Participation on San Jacinto's Special Events Sub-Committee

**Council Members Foreman and Krupa will participate on the Standing Committee.**

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### **Future Agenda Items**

There were no future agenda items requested at this time.

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### **Adjournment**

Adjourned at 10:05 p.m. to Tuesday, March 8, 2011 at 7:00 p.m.