

RESOLUTION NO. NS-22,400

COPY

RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF SANTA CRUZ ESTABLISHING INCOME
AND MONTHLY HOUSING COST GUIDELINES,
ASSET LIMITS, AND OTHER IMPLEMENTATION
PRACTICES FOR THE CITY OF SANTA CRUZ
AFFORDABLE HOUSING PROGRAM.

WHEREAS, there exists within the City of Santa Cruz a shortage of housing that is affordable by households with average-, low-, and very low- income; and

WHEREAS, the City finds that the shortage of housing for persons of average-, low- and very low- income is detrimental to the public health, safety, and general welfare; and

WHEREAS, the City has adopted an ordinance providing for inclusionary housing units, which requires further implementation by resolution; and

WHEREAS, on July 15, 1980, the City Council adopted Resolution No. NS-13,957, establishing income and monthly housing cost guidelines and asset limits for the affordable housing policy of the City of Santa Cruz; and

WHEREAS, on March 27, 1984, the City Council amended said guidelines with Resolution No. NS-15,751 in response to changing conditions, and said Resolution continues to apply to all units that received building permits prior to September 11, 1984; and

WHEREAS, on September 11, 1984, the City Council amended said guidelines with Resolution No. NS-15,994 to make the City's affordable housing policy responsive to differing income levels in the City from those in the County of Santa Cruz; and

WHEREAS, in the implementation of the guidelines established by Resolution No. NS-15,751 and Resolution No. NS-15,994, it became necessary to refine the definition of Housing Costs; and

WHEREAS, on July 9, 1985, the City Council amended said guidelines with Resolution No. NS-16,452 to adopt income and monthly housing cost guidelines and asset limits; and

WHEREAS, on December 10, 1991, the City Council amended said guidelines with Resolution No. NS-20,239 to establish maximum rent and sale prices for Single Room Occupancy (SRO) units; and

WHEREAS, on February 23, 1993, the City Council amended said guidelines with Resolution No. NS-20,912 to amend the formula for calculating rental and sales prices for inclusionary units to be consistent with Federal and State guidelines for affordability; and

RESOLUTION NO. NS-22,400

WHEREAS, on July 27, 1993, the City Council amended said guidelines with Resolution No. NS-21,180, to adopt revisions to income, asset and housing cost guidelines.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Santa Cruz does hereby adopt revisions to Income, Asset, and Housing Cost Guidelines, as presented in Exhibit "A", attached hereto and made a part hereof.

BE IT FURTHER RESOLVED, that Resolution No. NS-21,180 is hereby rescinded.

BE IT FURTHER RESOLVED, that the affordable housing income and housing cost regulations that apply to any project subject to City restrictions, shall be those regulations in force at the time a project receives its building permits or is approved for funding assistance, whichever occurs first.

PASSED AND ADOPTED this 12th day of September, 1995, by the following votes:

AYES: Councilmembers: Rotkin, Scott, Yokoyama, Kennedy, Campbell, Mathews; Mayor Beiers.

NOES: Councilmembers: None.

ABSENT: Councilmembers: None.

DISQUALIFIED: Councilmembers: None.

APPROVED: *Katherine Beiers*
Mayor

ATTEST: *Emma Golden*
City Clerk

EXHIBIT "A"

INCOME, ASSET, AND HOUSING COST GUIDELINES

A. Applicability

These guidelines establish regulations governing inclusionary units, replacement units, density bonus units, accessory units, and units assisted by various housing funding programs, such as the CDBG Unified Housing Rehabilitation Program, Target Area Housing Fund, and CDBG Revolving Loan Fund for Affordable Housing.

B. Income Eligibility

Rental Units

All rental affordable units shall be rented to very-low or low income households.

Income Eligibility - Income eligibility for rental affordable units participating in the HUD Section 8 Rent Subsidy Program, or its successor, is established by HUD. Income eligibility for rental affordable units not participating in the Section 8 Program is based upon the Santa Cruz County Metropolitan Statistical Area Median Income (SCCMSAMI). Lower income households shall earn no more than 60% of HUD area median income by household size. Very low income households shall earn no more than 50% of HUD area median income by household size.

Maximum Monthly Housing Costs for Rental Units - Maximum monthly housing costs, including utilities, for rental units participating in the Section 8 Program are established by HUD. Maximum monthly housing costs, including utilities, for rental units not participating in the Section 8 Program are derived by the formula contained in Section D of this Exhibit.

Qualifying for Rental Units - Households are certified as eligible for affordable rental units in accordance with provisions set forth by Council resolution and based upon Housing Authority persons-per-bedroom standards as well as the income and asset limitations set forth in this resolution.

For-Sale Units

All "for-sale" affordable units shall be sold to very low, low or moderate income households, with the exception that any for-sale "density bonus" units shall be sold to very-low or low-income households.

Income Eligibility - Income eligibility for "for-sale" units is based on the Santa Cruz County Metropolitan Statistical Area median income (SCCMSAMI). Moderate-income households can earn no more than 120% of HUD median income by household size. Low-income households can earn no more than 60% of HUD

median income by household size. Very low-income household can earn no more than 50% of HUD median income by household size.

Maximum Monthly Housing Costs for "For-Sale" Units - Maximum for-sale prices for affordable units are derived by the formula contained in Section E of this Exhibit.

Qualifying for "For-Sale" Units - Households are certified as eligible for affordable "for-sale" units in accordance with procedures set forth by Council resolution and based upon Housing Authority persons-per-bedroom standards as well as the income and asset limitations set forth in this resolution.

C. Household Income and Asset Determination

Income Criteria

For the purpose of establishing household eligibility for affordable units, income shall be determined in accordance with criteria and procedures used by the Housing Authority of the County of Santa Cruz for the acceptance of applications and recertifications for the Section 8 Rental Assistance Program, or its successor.

Asset Criteria

A household desiring to rent or purchase an affordable unit must meet one of the following maximum asset requirements:

- (1) The total assets of the household must be less than the maximum allowable income for that size household; or
- (2) If assets exceed the maximum allowable household income, eight and one-half percent of the total assets of a household (or the actual income from these assets if this is a higher figure) will be added to the household's annual income, and this combined figure must be less than the maximum allowable income for that size household; (or asset restrictions for rental units shall be determined according to the formula utilized for the HUD Section 8 Rental Assistance Program.)
- (3) For households consisting of at least one senior citizen (persons over 62), the first \$60,000 of assets shall be excluded from calculation under steps (a) and/or (b) above.

Assets are defined as follows:

- (a) Cash savings.
- (b) Marketable securities, stocks, bonds, and other forms of capital investment.

- (c) Equity in Real Estate.
- (d) Other personal property which is readily convertible into cash.
- (e) Inheritance, lump-sum insurance payments already received.
- (f) Settlements for personal property damage already received.

The following are not considered assets, in that they are not readily convertible into cash or are necessary for employment:

- (a) Ordinary households effects including furniture, fixtures, and personal property.
- (b) Automobiles.
- (c) Equipment or tools necessary for the performance of the applicant's occupation.

D. Formula for Calculating Maximum Rental Prices for Affordable Units (Non-Section 8)

STEP ONE Determine applicable household median income figure by matching type of unit subject to these regulations to the corresponding median income in the chart below:

<u>Type of Unit</u>	<u>Median Income Used</u>
SRO*	1-Person Household
Studios	1-Person Household
1-Bedroom	2-Person Household
2-Bedroom	3-Person Household
3-Bedroom	4-Person Household
4-Bedroom	5-Person Household

STEP TWO Determine HUD Median Income by household size, from tables published by HUD which are in effect.

STEP THREE Multiply HUD Median Income by 60% to determine maximum annual income.

STEP FOUR Calculate maximum monthly income by dividing answer to Step Three by 12.

STEP FIVE Calculate maximum allowance for housing cost by multiplying maximum monthly income by 30%. Maximum allowance for housing

cost includes utilities. Utilities are either paid directly by the property owner, or an appropriate utility allowance is deducted from maximum housing cost to establish maximum rent charged to the tenant. Utility allowances shall be determined from the schedule established by the Housing Authority of the County of Santa Cruz in conjunction with the Section 8 Rent Subsidy Program.

*STEP SIX For Single Room Occupancy (SRO) units with shared kitchen and/or bathroom, maximum rent shall not exceed 75% of maximum studio rent. For SRO units with kitchens and bathrooms in each unit, maximum rent shall not exceed 85% of maximum studio rent.

E. Formula for Calculating For-Sale Prices for Affordable Units

STEP ONE Determine applicable household income figure by matching type of unit subject to these regulations to the corresponding income in the chart below:

<u>Type of Unit</u>	<u>Median Income Used</u>
SRO	1-Person Household
Studios	1-Person Household
1-Bedroom	2-Person Household
2-Bedroom	3-Person Household
3-Bedroom	4-Person Household
4-Bedroom	5-Person Household

STEP TWO Determine HUD Median Income by household size from tables published by HUD.

STEP THREE Calculate maximum monthly income by dividing answer to Step Two by 12.

STEP FOUR Calculate maximum allowance for housing cost by multiplying maximum monthly income by 30%:

STEP FIVE Determine maximum amount allowed for principal and interest (P&I) payments:

Subtract 15% of maximum housing allowance for taxes, insurance, and in addition, if applicable, subtract operating costs and contingency fees contained in homeowner's association operating budget from maximum

RESOLUTION NO. NS-22,400

allowance for housing cost (not less than 70% of homeowner's association fees).

STEP *SIX Determine local prevailing interest rate for a 30-year fully amortized home purchase loan:

Contact five local banks and/or savings and loan companies and average current rates for 30-year, fully amortized home purchase loans.

STEP SEVEN Determine maximum loan amount:

Maximum loan amount is determined by using the maximum amount allowed for principal and interest (STEP SIX) and the local prevailing interest rate (STEP SEVEN) to identify what loan amount the principal and interest will support at the prevailing interest rate for 30-year term.

STEP EIGHT Calculate Down payment:

With the maximum loan amount representing 80% of the purchase price, determine the value of 20%.

STEP NINE Calculate selling price:

Add 20% for down payment to maximum loan amount.

STEP TEN For Single Room Occupancy (SRO) with kitchens and bathrooms in each unit, the maximum for-sale price shall not exceed 85% of the maximum studio sales price.

* Step Six can be calculated on a project by project basis if a developer can provide more favorable interest rates than those established by the City, and prove they have been secured for the project. The down payment will be based upon the formula containing the interest rate established by the City.