

RESOLUTION NO. NS- 16,452

A RESOLUTION ESTABLISHING INCOME AND MONTHLY HOUSING COST GUIDELINES AND ASSET LIMITS FOR THE AFFORDABLE HOUSING POLICY FOR THE CITY OF SANTA CRUZ. A-85-174

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

WHEREAS, the City finds that the shortage of housing for persons of average- and below-average 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 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 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 NS-15,751 and Resolution NS-15,994, it has become necessary to refine the definition of Housing Costs;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED, that the City Council of the City of Santa Cruz does hereby adopt the income and monthly housing cost guidelines and asset limits set forth in Exhibit "A", attached hereto, and made a part hereof, for all units to which these guidelines apply.

PASSED AND ADOPTED this 9th day of July, 1985, by the following vote:

AYES: Councilmembers - Mellis, Laird, Rotkin, Sears-Williams, Levine, Weed; Mayor Wormhoudt.

NOES: Councilmembers - None.

ABSENT: Councilmembers - None.

APPROVED

*Mardi Wormhoudt*  
Mayor

ATTEST

*Patricia M. Kenyon*  
City Clerk

EXHIBIT "A"

INCOME, ASSET, AND HOUSING COST GUIDELINES

A. Income Eligibility

Rental Units

All rental inclusionary units shall be rented to below-average income households.

Income Eligibility - Income eligibility for rental inclusionary units participating in the HUD Section 8 Rent Subsidy Program, or its successor is established by HUD. Income eligibility for rental inclusionary units not participating in the Section 8 Program is based upon the Santa Cruz County Metropolitan Statistical Area Median Income (SCCMSAMI) and the percentage difference between the 1980 City and County median family incomes as determined in the 1980 census (8.16%). Below-average income households can earn no more than the following: HUD median income by family size, minus (-) 8.16%, times (X) 80%.

Monthly Household Income Limit - Monthly household income limits for households participating in the HUD Section 8 Rent Subsidy Program or its successor, is established by HUD. Calculating 80% of the reduced (by 8.16%) SCCMSA median income yields current monthly income limits for renting non-Section 8 inclusionary unit. The median household income, by family size, is published periodically by HUD.

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, for rental units not participating in the Section 8 Program are derived by the formula contained in Exhibit "A-1".

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" inclusionary units shall be sold to below-average and average-income households.

Income Eligibility - Income eligibility for "for-sale" units is based on the Santa Cruz County Metropolitan Statistical Area median income (SCCMSAMI) and the percentage difference between the 1980 City and County median family incomes as determined in the 1980 census (8.16%). Average-income households can earn no more than the following: HUD median income by family size, minus (-) 8.16%, times (X) 120%.

Monthly Household Income Limits - Calculating 120% of the reduced (by 8.16%) SCCMSAMI median income yields current monthly income limits for buying an inclusionary unit. The median household income, by family size is published periodically by HUD.

Maximum Monthly Housing Costs for "For-Sale" Units - Maximum for-sale prices for inclusionary units are derived by the formula contained in Exhibit "A-2".

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 on the income and asset limitations set forth in this resolution.

B. Household Income and Asset Determination

Income Criteria

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

Asset Criteria

Rental Units - The maximum allowable assets for households seeking to rent inclusionary units shall be those limits established periodically by the Santa Cruz Housing Authority for the Section 8 Rental Assistance Program, or its successor.

"For-Sale" Units - The maximum allowable assets for households seeking to purchase inclusionary units shall be 1½ times the required down payment, provided the down payment is not more than 20% of the purchase price of the inclusionary unit.

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

EXHIBIT "A-1"

FORMULA FOR CALCULATING RENTAL  
PRICES FOR INCLUSIONARY UNITS (NON-SECTION 8)

STEP ONE Match household size with appropriate unit size.

<u>Type of Unit</u>	<u>Median Income Used</u>
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 family size.  
(County Median Income is published by HUD by household size.)

STEP THREE Reduce HUD Median Income by family size by 8.16%.

STEP FOUR Multiply reduced HUD Median Income by 80%.

STEP FIVE Calculate monthly income.  
Divide answer to Step Four by 12.

STEP SIX Calculate maximum allowance for housing cost: (Including utilities\*); affordable rent.  
Monthly Income multiplied by 25%.

\* Utility costs are those established by the Santa Cruz County Housing Authority in conjunction with the Section 8 Rent Subsidy Program.

EXHIBIT "A-2"

FORMULA FOR CALCULATING FOR-SALE PRICES  
FOR INCLUSIONARY UNITS

- STEP ONE Match household size with appropriate unit size.
- | <u>Type of Unit</u> | <u>Median Income Used</u> |
|---------------------|---------------------------|
| 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 family size.  
(County Median Income is published by HUD by household size.)
- STEP THREE Reduce HUD Median Income by family size by 8.16%.
- STEP FOUR Multiply reduced HUD Median Income by 120%.
- STEP FIVE Calculate monthly income.  
Divide answer to Step Four by 12.
- STEP SIX Calculate maximum allowance for housing cost:  
Monthly Income multiplied by 30%.
- STEP SEVEN Determine maximum amount allowed for principal and interest (P&I) payments:  
Subtract 15% of 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 allowance for housing cost (not less than 70% of homeowner's association fees).
- STEP EIGHT\* 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 NINE Determine maximum loan amount:  
Maximum loan amount is determined by using the maximum amount allowed for principal and interest (STEP SEVEN) and the local prevailing interest rate (STEP EIGHT) and identify what loan amount the principal and interest will support at the prevailing interest rate for 30-year term.
- STEP TEN Calculate Down payment:  
With the maximum loan amount representing 80% of the purchase price, determine the value of 20%.
- STEP ELEVEN Calculate selling price:  
Add 20% for down payment to maximum loan amount.

\* Step Eight 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.

4/84

This is to certify that the above and foregoing is the original document.  
Resolution No. NS-16,452

*Patricia M. Kenyo*  
City Clerk