

RESOLUTION NO. NS-27,629

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA CRUZ
ESTABLISHING INCOME AND MONTHLY HOUSING COST, ASSET LIMITS,
AND OTHER IMPLEMENTATION PRACTICE GUIDELINES 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 redefine 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

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; and

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WHEREAS, on September 12, 1995, the City Council amended said guidelines with Resolution 22,400, to adopt revisions to income, asset and housing cost guidelines; and

WHEREAS, on July 9, 1996, the City Council amended said guidelines with Resolution 22,856, to adopt revisions to income, asset and housing cost guidelines; and

WHEREAS, on September 25, 2007, the City Council amended said guidelines with Resolution 27,383, 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 to the City Council on October 23, 2007.

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 application is deemed complete by the Planning Department.

BE IT FURTHER RESOLVED that Resolution No. NS-27,383 is hereby rescinded.

PASSED AND ADOPTED this 23rd day of October, 2007, by the following vote:

AYES: Councilmembers Porter, Robinson, Mathews, Vice Mayor Coonerty; Mayor Reilly.

NOES: None.

ABSENT: Councilmembers Rotkin, Madrigal.

DISQUALIFIED: None.

ATTEST: *Leslie Cook*
City Clerk

APPROVED *Emily Reilly*
Mayor

AFFORDABLE HOUSING PROGRAM GUIDELINES

Income and Monthly Housing Costs, Asset Limits, and Other Implementation Practices

I. INCOME, ASSET, AND HOUSING COSTS

A. APPLICABILITY

1. These guidelines establish regulations governing affordable housing units, including inclusionary units, replacement units, density bonus units, Affordable Housing Trust Fund projects and units assisted by various housing funding programs when specified in developer agreements.

B. INCOME ELIGIBILITY

1. **Rental Units:** All affordable rental units shall be rented to extremely-low, very-low, or lower income households. Existing units converted to inclusionary units under Section 24.16.030.4 of the Municipal Code shall be rented to extremely-low or very-low income households.
 - a. **Income Eligibility** - Income eligibility for inclusionary rental units participating in the Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher 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 area median income for Santa Cruz County as published by the State of California pursuant to California Code of Regulations, Title 25, Section 6932, or successor provision.
 - Lower income households can earn no more than eighty percent of area median, adjusted for household size.
 - Very low income households can earn no more than fifty percent of area median income, adjusted for household size.
 - Extremely low income households can earn no more than thirty percent of area median income, adjusted for household size.
 - b. **Maximum Rents** - 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 and for Congregate Care and Assisted Living units are derived by the formulas contained in Section D and explained in Section F of this Exhibit.
 - c. **Qualifying for Rental Units** - Households are certified as eligible for affordable rental units in accordance with the income and asset limitations set forth in this resolution.
2. **For-Sale Units:** All affordable “for-sale” units shall be sold to very low, lower, median, and moderate-income households.
 - a. **Income Eligibility** - Income eligibility for “for-sale” units is based on the area median income for Santa Cruz County as published by the State of California pursuant to California Code of Regulations, Title 25, Section 6932, or successor provision as follows:

- Moderate income households can earn no more than one hundred twenty percent of area median income, adjusted for household size.
 - Median income households can earn no more than the area median income, adjusted for household size.
 - Lower income households can earn no more than eighty percent of area median income, adjusted for household size.
 - Very low income households can earn no more than fifty percent of area median income, adjusted for household size.
- b. **Maximum Sales Prices for “For-Sale” Units –**
- The cost of the inclusionary for-sale units shall not exceed the amount a bank, savings and loan, or other institutional lender will finance for an eligible purchaser, assuming current lending practices for a thirty-year fixed-rate, fully amortizing loan, plus a reasonable down payment.
 - The cost of the density bonus for-sale units shall not exceed the amount permitted by the California Code of Regulations, Title 25, Section 6920.
 - Maximum for-sale prices for affordable units are derived by the formulas contained in Section E and explained in Section F of this Exhibit.
 - No charge or fee shall be imposed on the purchaser of an affordable unit which is in addition to, or more than, charges imposed upon purchasers of market rate units.
- c. **Qualifying for “For-Sale” Units -** Households are certified as eligible for affordable for-sale units in accordance with the income and asset limitations set forth in this resolution.

C. HOUSEHOLD INCOME AND ASSET DETERMINATION

1. **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 re-certifications for the Section 8 Housing Choice Voucher Program, or its successor.
2. **Asset Criteria**
 - a. The maximum total of assets that may be allowed for a household desiring to rent or purchase an affordable unit must not exceed the maximum allowable annual income for that size household., with the following exceptions:
 - For households including at least one person 62 years of age and older, the first \$60,000 of assets shall be excluded from calculation of assets.
 - For home ownership units, up to 50% of the purchase price may be excluded from the calculation of assets when that asset is used as the down payment for the purchase of the affordable unit.
 - b. Assets are defined as follows:

- Cash savings.
 - Marketable securities, stocks, bonds, and other forms of capital investment.
 - Equity in Real Estate.
 - Other personal property which is readily convertible into cash.
 - Inheritance already received.
 - Lump-sum insurance payments already received.
 - Settlements for personal property damage already received.
- d. The following are not considered assets, in that they are not readily convertible into cash or are necessary for employment:
- Ordinary household effects including furniture, fixtures, and personal property.
 - Automobiles.
 - Equipment or tools necessary for the performance of the applicant's occupation.
 - Private retirement plans and investments or assets held by qualified retirement plans.
 - Gift funds assisting with a down payment for purchase of a unit.
 - Silent second mortgage or other assistance to eligible households.
 - Assets of any co-signer on a loan to purchase a unit if the co-signer is not considered part of the household and will not live in the unit.
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D. FORMULAS FOR CALCULATING MAXIMUM RENTS AND SALES PRICES

1. Formula for Calculating Maximum Rents for Lower Income Inclusionary Units (Non-Section 8)

STEP	DESCRIPTION OF ACTION												
STEP ONE: UNIT TYPE	Identify UNIT TYPE to be rented from the chart below :												
	<table border="1"><thead><tr><th>TYPE OF UNIT</th><th>NUMBER OF PERSONS IN HOUSEHOLD</th></tr></thead><tbody><tr><td>Studio</td><td>= 1</td></tr><tr><td>1 Bedroom</td><td>= 2</td></tr><tr><td>2 Bedroom</td><td>= 3</td></tr><tr><td>3 Bedroom</td><td>= 4</td></tr><tr><td>4 Bedroom</td><td>= 5</td></tr></tbody></table>	TYPE OF UNIT	NUMBER OF PERSONS IN HOUSEHOLD	Studio	= 1	1 Bedroom	= 2	2 Bedroom	= 3	3 Bedroom	= 4	4 Bedroom	= 5
TYPE OF UNIT	NUMBER OF PERSONS IN HOUSEHOLD												
Studio	= 1												
1 Bedroom	= 2												
2 Bedroom	= 3												
3 Bedroom	= 4												
4 Bedroom	= 5												
STEP TWO: ANNUAL HOUSEHOLD INCOME LIMIT	Using the most recent income limits established for Santa Cruz County by the State of California, identify the ANNUAL HOUSEHOLD INCOME LIMIT for the “ LOWER INCOME ” category for the “ NUMBER OF PERSONS IN THE HOUSEHOLD ” identified in the table above for the unit type.												
STEP THREE: MONTHLY HOUSEHOLD INCOME LIMIT	Calculate the MONTHLY HOUSEHOLD INCOME LIMIT by dividing the ANNUAL HOUSEHOLD INCOME LIMIT identified in Step Two by 12.												
STEP FOUR: HOUSING COST ALLOWANCE	Calculate maximum HOUSING COST ALLOWANCE for the unit by multiplying MONTHLY UNIT INCOME LIMIT from Step Three by 40%.												
STEP FIVE: MAXIMUM RENT	If the tenant will pay all or part of the utilities, identify a monthly UTILITY ALLOWANCE ADJUSTMENT using the schedule of utility costs established by the Housing Authority of the County of Santa Cruz in conjunction with the Section 8 Rent Subsidy Program. Subtract this amount from the HOUSING COST ALLOWANCE from Step Five for the MAXIMUM RENT . If the landlord will pay all utilities, subtract “0”.												

2. Formula for Calculating Maximum Rents for Single Room Occupancy (SRO) Units (Non-Section 8) and Other Very Low Income Rents

STEP	DESCRIPTION OF ACTION														
STEP ONE: UNIT TYPE	Identify UNIT TYPE to be rented from the chart below :														
	<table border="1"> <thead> <tr> <th>TYPE OF UNIT</th> <th>NUMBER OF PERSONS IN HOUSEHOLD</th> </tr> </thead> <tbody> <tr> <td>SRO</td> <td>= 1</td> </tr> <tr> <td>Studio</td> <td>= 1</td> </tr> <tr> <td>1 Bedroom</td> <td>= 2</td> </tr> <tr> <td>2 Bedroom</td> <td>= 3</td> </tr> <tr> <td>3 Bedroom</td> <td>= 4</td> </tr> <tr> <td>4 Bedroom</td> <td>= 5</td> </tr> </tbody> </table>	TYPE OF UNIT	NUMBER OF PERSONS IN HOUSEHOLD	SRO	= 1	Studio	= 1	1 Bedroom	= 2	2 Bedroom	= 3	3 Bedroom	= 4	4 Bedroom	= 5
TYPE OF UNIT	NUMBER OF PERSONS IN HOUSEHOLD														
SRO	= 1														
Studio	= 1														
1 Bedroom	= 2														
2 Bedroom	= 3														
3 Bedroom	= 4														
4 Bedroom	= 5														
STEP TWO: ANNUAL HOUSEHOLD INCOME LIMIT	Using the most recent income limits established for Santa Cruz County by the State of California, identify the ANNUAL HOUSEHOLD INCOME LIMIT for the “ VERY LOW INCOME ” category for the “ NUMBER OF PERSONS IN THE HOUSEHOLD ” identified in the table above for the unit type.														
STEP THREE: MONTHLY HOUSEHOLD INCOME LIMIT	Calculate the MONTHLY HOUSEHOLD INCOME LIMIT by dividing the ANNUAL HOUSEHOLD INCOME LIMIT identified in Step Two by 12.														
STEP FOUR: HOUSING COST ALLOWANCE	Calculate maximum HOUSING COST ALLOWANCE for the unit by multiplying MONTHLY UNIT INCOME LIMIT from Step Three by 30%.														
STEP FIVE: MAXIMUM RENT	If the tenant will pay all or part of the utilities, identify a monthly UTILITY ALLOWANCE ADJUSTMENT using the schedule of utility costs established by the Housing Authority of the County of Santa Cruz in conjunction with the Section 8 Rent Subsidy Program. Subtract this amount from the HOUSING COST ALLOWANCE from Step Five for the MAXIMUM RENT . If the landlord will pay all utilities, subtract “0”.														
STEP FIVE-A: ADJUSTED MAXIMUM RENT FOR SRO WITH SHARED BATH OR KITCHEN	To determine the ADJUSTED MAXIMUM RENT ALLOWED for an SRO with shared bath or kitchen facilities, multiply the MAXIMUM RENT from Step Five by .9 to determine the ADJUSTED MAXIMUM RENT .														

3. Formula for Calculating Maximum Rents for Density Bonus Units (Non-Section 8; Not Including Inclusionary Lower Income Units)

STEP	DESCRIPTION OF ACTION														
STEP ONE: UNIT TYPE	Identify UNIT TYPE to be rented from the chart below : <table border="1"> <thead> <tr> <th>TYPE OF UNIT</th> <th>NUMBER OF PERSONS IN HOUSEHOLD</th> </tr> </thead> <tbody> <tr> <td>SRO</td> <td>= 1</td> </tr> <tr> <td>Studio</td> <td>= 1</td> </tr> <tr> <td>1 Bedroom</td> <td>= 2</td> </tr> <tr> <td>2 Bedroom</td> <td>= 3</td> </tr> <tr> <td>3 Bedroom</td> <td>= 4</td> </tr> <tr> <td>4 Bedroom</td> <td>= 5</td> </tr> </tbody> </table>	TYPE OF UNIT	NUMBER OF PERSONS IN HOUSEHOLD	SRO	= 1	Studio	= 1	1 Bedroom	= 2	2 Bedroom	= 3	3 Bedroom	= 4	4 Bedroom	= 5
TYPE OF UNIT	NUMBER OF PERSONS IN HOUSEHOLD														
SRO	= 1														
Studio	= 1														
1 Bedroom	= 2														
2 Bedroom	= 3														
3 Bedroom	= 4														
4 Bedroom	= 5														
STEP TWO: ANNUAL HOUSEHOLD INCOME LIMIT USED FOR RENT CALCULATION	Using the most recent income limits established for Santa Cruz County by the State of California, identify the ANNUAL HOUSEHOLD INCOME LIMIT for the “ LOWER INCOME ” category for the “ NUMBER OF PERSONS IN THE HOUSEHOLD ” identified in the table above for the unit type, as follows: EXTREMELY LOW INCOME UNIT: As shown for the household size. VERY LOW INCOME UNIT: As shown for the household size. DENSITY BONUS LOWER INCOME UNIT: Multiply area median income for the household size by 60 percent.														
STEP THREE: MONTHLY HOUSEHOLD INCOME LIMIT	Calculate the MONTHLY HOUSEHOLD INCOME LIMIT by dividing the ANNUAL HOUSEHOLD INCOME LIMIT identified in Step Two by 12.														
STEP FOUR: HOUSING COST ALLOWANCE	Calculate the maximum HOUSING COST ALLOWANCE for the unit by multiplying the MONTHLY UNIT INCOME LIMIT from Step Three by 30%.														
STEP FIVE: MAXIMUM RENT	If the tenant will pay all or part of the utilities, identify a monthly UTILITY ALLOWANCE ADJUSTMENT using the schedule of utility costs established by the Housing Authority of the County of Santa Cruz in conjunction with the Section 8 Rent Subsidy Program. Subtract this amount from the HOUSING COST ALLOWANCE from Step Five for the MAXIMUM RENT . If the landlord will pay all utilities, subtract “0”.														
STEP FIVE-A: ADJUSTED SRO MAXIMUM RENT FOR SRO UNITS	To determine the ADJUSTED SRO MAXIMUM RENT for Single Room Occupancy (SRO) units, multiply the MAXIMUM RENT from Step Five by .75 for SRO units with shared kitchen and/or bathroom facilities and by .85 for SRO units with kitchens and bathrooms in each unit.														

4. Formula for Calculating Maximum Rents for Inclusionary Assisted Living and Congregate Care Units for single or shared income double units (Non-Section 8)

STEP	DESCRIPTION OF ACTION								
STEP ONE: UNIT TYPE	<p>Identify UNIT TYPE to be rented from the chart below :</p> <table border="1"> <thead> <tr> <th>TYPE OF UNIT</th> <th>NUMBER OF PERSONS IN HOUSEHOLD (For rent Calculation Purposes)</th> </tr> </thead> <tbody> <tr> <td>SRO*</td> <td>= See Formula for SRO Units (#2 Above)</td> </tr> <tr> <td>Studio</td> <td>= 1</td> </tr> <tr> <td>1 Bedroom</td> <td>= 2</td> </tr> </tbody> </table> <p>* SRO Rates apply when private bathrooms are not provided. See Section 2 above for formula to calculate SRO rent.</p>	TYPE OF UNIT	NUMBER OF PERSONS IN HOUSEHOLD (For rent Calculation Purposes)	SRO*	= See Formula for SRO Units (#2 Above)	Studio	= 1	1 Bedroom	= 2
TYPE OF UNIT	NUMBER OF PERSONS IN HOUSEHOLD (For rent Calculation Purposes)								
SRO*	= See Formula for SRO Units (#2 Above)								
Studio	= 1								
1 Bedroom	= 2								
STEP TWO: ANNUAL HOUSEHOLD INCOME LIMIT USED FOR RENT CALCULATION	<p>For studio or 1 bedroom apartments, use the most recent income limits established for Santa Cruz County by the State of California, identify the ANNUAL HOUSEHOLD INCOME LIMIT for the “VERY LOW INCOME” category for the “NUMBER OF PERSONS IN THE HOUSEHOLD” identified in Step 1 above for the unit type. Non-related persons who do not have a combined income, but will share a unit, are considered single residents and the Studio Rent will apply to each individual.</p>								
STEP THREE: MONTHLY HOUSEHOLD INCOME LIMIT	<p>Calculate the MONTHLY HOUSEHOLD INCOME LIMIT by dividing the ANNUAL HOUSEHOLD INCOME LIMIT identified in Step Two by 12.</p>								
STEP FOUR: HOUSING COST ALLOWANCE	<p>Calculate the maximum HOUSING COST ALLOWANCE for the unit by multiplying the MONTHLY UNIT INCOME LIMIT from Step Three by 30%.</p>								
STEP FIVE: MAXIMUM RENT	<p>If the tenant will pay all or part of the utilities, identify a monthly UTILITY ALLOWANCE ADJUSTMENT using the schedule of utility costs established by the Housing Authority of the County of Santa Cruz in conjunction with the Section 8 Rent Subsidy Program. Subtract this amount from the HOUSING COST ALLOWANCE from Step Five for the MAXIMUM RENT. If the landlord will pay all utilities, subtract “0”.</p>								
STEP FIVE-A: MAXIMUM FEE FOR BASIC SERVICES	<p>To determine the MAXIMUM FEE for basic services as defined in the Ordinance, multiply the MONTHLY HOUSEHOLD INCOME from Step Three by .35 for a single resident and by .45 for a two person household with a common/shared income who are also sharing an apartment.</p>								
STEP FIVE-B: MAXIMUM FEE FOR RENT & BASIC SERVICES	<p>To determine the MAXIMUM FEE for MONTHLY RENT AND SERVICES add the MAXIMUM RENT from Step Five to the MAXIMUM FEE FOR BASIC SERVICES from Step Five-A to calculate the TOTAL MONTHLY FEE.</p>								

E. FORMULA FOR CALCULATING FOR-SALE

1. Formula for Calculating For-Sale Prices for Lower Income Inclusionary Units

STEP	DESCRIPTION OF ACTION												
STEP ONE: UNIT TYPE	Identify UNIT TYPE to be purchased from the chart below : <table border="1"><thead><tr><th>TYPE OF UNIT</th><th>NUMBER OF PERSONS IN HOUSEHOLD</th></tr></thead><tbody><tr><td>Studio</td><td>= 1</td></tr><tr><td>1 Bedroom</td><td>= 2</td></tr><tr><td>2 Bedroom</td><td>= 3</td></tr><tr><td>3 Bedroom</td><td>= 4</td></tr><tr><td>4 Bedroom</td><td>= 5</td></tr></tbody></table>	TYPE OF UNIT	NUMBER OF PERSONS IN HOUSEHOLD	Studio	= 1	1 Bedroom	= 2	2 Bedroom	= 3	3 Bedroom	= 4	4 Bedroom	= 5
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Studio	= 1												
1 Bedroom	= 2												
2 Bedroom	= 3												
3 Bedroom	= 4												
4 Bedroom	= 5												
STEP TWO: ANNUAL HOUSEHOLD INCOME LIMIT	Using the most recent income limits established for Santa Cruz County by the State of California, identify and enter the ANNUAL HOUSEHOLD INCOME LIMIT from the “ LOWER INCOME ” category for the “ NUMBER OF PERSONS IN THE HOUSEHOLD ” identified in the table above for the unit type.												
STEP THREE: MONTHLY HOUSEHOLD INCOME LIMIT	Calculate the MONTHLY HOUSEHOLD INCOME LIMIT by dividing the ANNUAL INCOME LIMIT identified in Step Two by 12.												
STEP FOUR: HOUSING COST ALLOWANCE	Calculate the maximum HOUSING COST ALLOWANCE for the unit by multiplying the MONTHLY HOUSEHOLD INCOME LIMIT from Step Three by 30%.												
STEP FIVE: MONTHLY HOUSING PAYMENT	From the HOUSING COST ALLOWANCE amount from Step 4 subtract 15% of the HOUSING COST ALLOWANCE for property taxes and insurance and from that amount then subtract 100% of homeowner’s association fees to establish the MONTHLY HOUSING PAYMENT amount.												
STEP SIX: AVERAGE INTEREST RATE	Determine the regional AVERAGE INTEREST RATE for a thirty year, fixed rate, fully amortized loan using the Freddie Mac Primary Mortgage Market Survey for the West Region for that week.												
STEP SEVEN: LOAN AMOUNT	Use the MONTHLY HOUSING PAYMENT amount from Step Five and the AVERAGE INTEREST RATE from Step Six to determine the estimated LOAN AMOUNT .												
STEP EIGHT: MAXIMUM SALES PRICE	Divide the estimated LOAN AMOUNT from Step Seven by 80% to determine the adjusted MAXIMUM SALES PRICE . (Note: This step reflects the inclusion of a 20% down payment for calculation purposes only. The actual downpayment amount may vary.)												

2. Formula for Calculating For-Sale Prices for Density Bonus Units (Non-Section 8; Not Including Inclusionary Lower Income Units)

STEP	DESCRIPTION OF ACTION												
STEP ONE: UNIT TYPE	Identify TYPE OF UNIT to be purchased from the chart below :												
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Studio	= 1												
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STEP TWO: ANNUAL HOUSEHOLD INCOME LIMIT	<p>Using the most recent income limits established for Santa Cruz County by the State of California, identify and enter the ANNUALHOUSEHOLD INCOME LIMIT for the “NUMBER OF PERSONS IN THE HOUSEHOLD” identified in the table above for the unit type, as follows:</p> <p>VERY LOW INCOME UNIT: As shown for the household size.</p> <p>DENSITY BONUS LOWER INCOME UNIT: Multiply area median income for the household size by 70 percent.</p> <p>DENSITY BONUS MODERATE-INCOME UNIT: Multiply area median income for the household size by 110 percent.</p>												
STEP THREE: MONTHLY HOUSEHOLD INCOME LIMIT	Calculate the MONTHLY HOUSEHOLD INCOME LIMIT by dividing the ANNUAL INCOME LIMIT identified in Step Two by 12.												
STEP FOUR: HOUSING COST ALLOWANCE	Calculate the maximum HOUSING COST ALLOWANCE for the unit by multiplying the MONTHLY INCOME LIMIT from Step Three by 30% for VERY LOW AND LOWER INCOME UNITS and by 35% for MODERATE INCOME UNITS .												
STEP FIVE: MONTHLY HOUSING PAYMENT	From the HOUSING COST ALLOWANCE amount from Step 4 subtract 15% of the HOUSING COST ALLOWANCE for property taxes and insurance and from that amount then subtract HOMEOWNER’S ASSOCIATION FEES and a monthly UTILITY ALLOWANCE ADJUSTMENT using the schedule of utility costs established by the Housing Authority of the County of Santa Cruz in conjunction with the Section 8 Rent Subsidy Program to establish the amount available for a MONTHLY HOUSING PAYMENT .												
STEP SIX: AVERAGE INTEREST RATE	Determine the regional AVERAGE INTEREST RATE for a thirty year, fixed rate, fully amortized loan using the Freddie Mac Primary Mortgage Market Survey for the West Region for that week.												
STEP SEVEN: LOAN AMOUNT	Use the MONTHLY HOUSING PAYMENT amount from Step Five and the AVERAGE INTEREST RATE from Step Six to determine the estimated LOAN AMOUNT .												
STEP EIGHT: SALES PRICE	Divide the estimated LOAN AMOUNT from Step Seven by 80% to determine the adjusted MAXIMUM SALES PRICE . (Note: This step reflects the inclusion of a 20% down payment for calculation purposes only. The actual downpayment amount may vary.)												

F. EXPLANATION OF RENTAL AND OWNERSHIP FORMULAS

STEP ONE:
UNIT TYPE

There are no restrictions on the minimum number of persons in a household purchasing an affordable unit. Each unit type has an assumed household size that relates to the number of bedrooms in the unit and is used to determine the affordable rent or sales price. The size of the household applying to rent or own an affordable unit is one of the factors considered in determining income eligibility. But it is not used in these formulas.

STEP TWO:
ANNUAL
HOUSEHOLD
INCOME LIMIT

Annual incomes used in these formulas are based upon the area median income for Santa Cruz County as published by the State of California pursuant to California Code of Regulations, Title 25, Section 6932, or successor provision. The State publishes these numbers annually based on the median income level identified for Santa Cruz County by HUD.

STEP THREE:
MONTHLY
HOUSEHOLD
INCOME LIMIT

Calculations of rent or sales prices use monthly incomes.

STEP FOUR:
HOUSING COST
ALLOWANCE

A multiplier is used to determine what percentage of household income should be available for housing. For ownership inclusionary housing, the multiplier is 30%, and for rental inclusionary housing, the multiplier is 40%. Different multipliers may be used for density bonus or other affordable units per state law or other regulations.

STEP FIVE:
MONTHLY
HOUSING
PAYMENT &
MAXIMUM RENT

Adjustments for other expenses are made in Step Five to determine the Maximum Rent for rental units or Monthly Housing Payment for ownership units. Consistent with HUD procedures for rental units, estimated costs of tenant paid utilities are subtracted from the amount available for rent. For ownership housing, insurance, taxes, homeowner dues (when applicable), are subtracted. In addition, for Density Bonus ownership housing, utilities and maintenance costs are also subtracted. However, typically for new units maintenance costs are assumed to be \$0.

STEP FIVE- A
MAXIMUM RENT
ADJUSTED FOR
SRO UNITS

This step adjusts rent for SRO units.

OWNERSHIP
STEP SIX:
AVERAGE
INTEREST RATE

The Freddie Mac Primary Mortgage Market Survey for a thirty year, fixed rate, fully amortized loan provides average interest rates for the Western Region of the United States. The Survey is updated weekly.

OWNERSHIP
STEP SEVEN:
LOAN AMOUNT

A mortgage calculator can be used to provide the loan amount based on interest rates for the type of loan described above and the amount available for monthly payments.

OWNERSHIP
STEP EIGHT:

To determine the Sales Price, this Step includes the application of a standard 20% downpayment.

II. PROCEDURES

A. APPLICABILITY

These procedures apply to any affordable rental or for-sale units where rents or sales prices are controlled by an Affordable Housing Development Agreement, an Affordable Housing Declaration of Restrictions or other document acceptable to the City Attorney.

B. AFFORDABLE HOUSING DEVELOPMENT AGREEMENTS

1. Affordable Housing Development Agreement Requirements
 - a. Developer shall enter into an Affordable Housing Development Agreement (Agreement) with the City per Section Chapter 24.16 Affordable Housing Provisions Part 1: Inclusionary Housing Requirements or Part 3: Density Bonus Provisions for Residential Units.
 - b. The Agreement shall:
 - Be recorded as a restriction on any residential development in which rent or sale price-restricted units will be constructed.
 - Be recorded prior to or concurrently with final or parcel map approval, or prior to issuance of a building permit for any structure in the residential development, whichever occurs first.
 - Run with the land and bind all future owners and successors in interest.
2. The Agreement shall designate affordable units or determine the methodology to be used to identify the affordable units within the residential development.
3. Active or Inactive Inclusionary Rental Units.
 - a. The Agreement shall define conditions under which an inclusionary rental unit shall be considered inactive or active under Chapter 24.16, Affordable Housing Provisions Part 1 of the Municipal Code. General conditions are as follows:
 - For an inclusionary unit in a residential development where the rental cost affordable to lower income households is at ninety percent or more of the average rent for all the dwelling units with the same number of bedrooms in the same residential development, income limits will not be applied to tenant households.
 - For an inclusionary unit in rental residential development where individual units have been subdivided, then income limits will not be applied to tenant households as long as no units within the residential development are being offered for sale or have been sold.
 - b. Owners or agents of residential developments that have units that are classified as inactive under the Agreement shall submit annual reports to the City providing average rent levels for all unit types in the residential development.

- c. Until the City notifies the owner or agent that a unit no longer qualifies as being inactive, the remainder of this section will not apply.

C. RENTAL PROCEDURES

1. Notification of the Availability of Active Inclusionary or Density Bonus Rental Units.
 - a. When an active inclusionary or density bonus rental unit is available for rent the owner or agent shall send a “Notice of Measure O Unit Available for Rent” to the City.
 - b. The City, upon receipt of a “Notice of Measure O Unit Available for Rent” shall:
 - Send the owner/agent an “Authorization to Rent Measure O Unit” with the following information:
 - (a) Table of Maximum Allowable Income by Household Size
 - (b) Table of Maximum Rents by Unit Size.
 - (c) Housing Authority Utility Allowance Schedule
 - Send the Housing Authority notice of the unit’s availability with the following information:
 - (a) Table of Maximum Allowable Income by Household Size.
 - Post a notice of the unit’s availability on the City’s Website.
2. Tenant Selection.
 - a. Owners retain discretion in the selection of eligible renters, within the following parameters:
 - When multiple rental applications exist, preference shall be given in the following order:
 - (a) Residents of the City of Santa Cruz for at least one year.
 - (b) Those employed in the City of Santa Cruz.
 - (c) Residents of the County of Santa Cruz for at least one year.
 - (d) Those employed in the County of Santa Cruz.
 - b. An immediate family member or employee of any person having any equity interest in the residential development, including but not limited to a developer, partner, investor, or applicant, and their immediate family members or employees, is ineligible to rent an income restricted unit.
3. Tenant Qualifying Process.
 - a. Prospective tenants shall complete a Measure O Eligibility Application and the owner shall submit the application, together with a processing fee to the Housing Authority of Santa Cruz County. The processing fee shall be the sole responsibility of the owner and shall not in any instance be passed on to the tenant.

- b. The Housing Authority will send the tenant, owner and City a Measure O Eligibility Certification when a prospective tenant qualifies to rent a unit.
 - c. For federally subsidized units, federal program procedures will apply.
4. Changes in Designation of Inclusionary Rental Units.
- a. For rental developments where the Agreement provides flexibility for re-designating inclusionary units to allow for changing household incomes, if the household income of a tenant in an affordable unit exceeds income limits established for that unit, the following applies:
 - The owner has three months to identify another similarly sized unit occupied by or being rented to a qualified tenant household.
 - If circumstances prevent the identification of a substitute unit within three months, an extension of up to nine months may be granted at the discretion of the Director of the Planning and Community Development Department if it is determined by the Director that an extension is in the best interest of tenants in the residential development.
 - If a substitute unit cannot be secured within 12 months, than the over-income tenant will be required to move, and the unit must be rented to a qualified household.
 - b. When the calculated inclusionary rent for a rental housing development is 90% or more of the average rent for units with the same bedroom count in the same development, the following will apply:
 - No specific inclusionary units need be identified in the development.
 - The City shall provide the owner with income guidelines for lower income tenants based upon household size, and the owner shall make every effort to ensure that at least 15% of the units in the development are rented to lower income households based upon the applicants' reported income on the rental application form.
 - If fewer than 15% of the households living in the residential development are lower income households, the owner shall give priority to lower income households in renting vacant units until at least 15% of the units are occupied by lower income households.
 - The owner shall annually report to the City rents for all of the units in the residential development and the percentage of tenants that qualify as lower income households, based upon tenant household income as reported on the rental application and the City's income guidelines for lower income tenants based upon household size.
 - If fewer than 15% of the households living in the residential development are lower income households based upon the applicants' reported income, then the owner shall also provide the Director of Planning and Community Development Department with a specific plan to increase the number of lower income households and shall provide quarterly reports on progress until at least 15% of households living in the residential development are lower income households.

- Under no circumstances shall the City require an owner to leave a unit vacant if the owner has made a good faith effort to rent to a lower income household but it was not feasible due to lack of applications or lack of qualified applications from lower income households.
- c. When, based on the owners annual report, the calculated inclusionary rent for a rental housing development is less than 90% of the average rent for units with the same bedroom count in the same development, then the following will apply:
- The Director of the Planning and Community Development Department will notify the owner that inclusionary units must be designated and brought into compliance.
 - Within one (1) month of the date of notification, the owner must have completed steps identified in Section 3 Tenant Qualifying Process, above for at least 15% of the units.
 - After the Housing Authority has completed its review of tenant eligibility for at least 15% of the units, the Director of the Planning and Community Development Department will notify the owner and will identify which tenants and units qualify as inclusionary units and, if applicable, any remaining inclusionary requirements. If there are remaining inclusionary requirements, the owner may submit additional tenant applications to the Housing Authority for verification, but in any case is required to be in compliance within three (3) months of the date of notification by the Director.
 - If circumstances prevent achieving compliance within three months, an extension of up to nine months may be granted at the discretion of the Director of the Planning and Community Development Department if it is determined by the Director that an extension is in the best interest of tenants in the residential development, and the owner agrees that any vacant unit or unit that becomes vacant shall be designated as an inclusionary unit and rented to lower income households until inclusionary requirements are met.
5. Rental Terms
- a. Except for the amount of rent to be charged, and provisions allowing a rent increase in the event the tenant becomes over-income, the same rental terms and conditions are applied to tenants of income restricted units as to all other tenants, and no other or additional fees are charged.
 - b. The rental agreement or lease shall require tenants to submit a Measure O Eligibility Application to the Housing Authority if requested to do so by the owner.
6. Monitoring Provisions
- a. The owner shall retain all records related to compliance with these guidelines for a period of not less than three years and make them available to the City for inspection and copying. The owner shall also permit the City to inspect the property to monitor compliance with these guidelines following two business days' written notice.

D. OWNERSHIP UNIT PROCEDURES

Approved by Resolution NS 27-629

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1. Notification of the Availability of Affordable For-Sale Units.
 - a. When an affordable unit is available for sale, the owner or agent shall send a “Notice of Measure O Unit Available For Sale” to the City.
 - b. Upon receipt of a “Notice of Measure O Unit Available For Sale”, the City shall:
Send the owner/agent an “Authorization to Sell Measure O Unit” with the following information:
 - (a) The maximum allowable sales price.
 - (b) Current maximum allowable incomes for buyers.
 - (c) Procedure for sale (per Resolution No. NS-15,753)
 - (d) Applicable resolution setting forth income and asset guidelines.
 - (e) All documents that must be signed by the buyer or recorded to ensure affordability, such as deeds of trust, notes, recorded restrictions, etc.
 - (f) City's disclosure statement to buyer.
2. Buyer Selection.
 - a. Developers or owners retain discretion in the selection of eligible buyers, within the following parameters:
 - When multiple applications exist, preference shall be given in the following order:
 - (a) Those who live or work in the City of Santa Cruz.
 - (b) Those who live or work in the County of Santa Cruz.
 - An immediate family member or employee of any person having any equity interest in the residential development, including but not limited to a developer, partner, investor, or applicant, and their immediate family members or employees, is ineligible to buy an income restricted unit.
 - b. Prospective buyers shall complete a Measure O Eligibility Application and the owner/seller shall submit the application, together with a processing fee to the Housing Authority of Santa Cruz County. The processing fee shall be the sole responsibility of the owner/seller and shall not in any instance be passed on to the buyer.
 - c. The Housing Authority will send the buyer, owner and City a Measure O Eligibility Certification when a prospective purchaser qualifies to buy a unit.
3. Renting Ownership Units
 - a. After residing in the unit as a primary residence for a minimum of one year, under circumstances that require the owner to temporarily vacate the unit, the owner may rent the unit with the prior written approval of the Director of the Planning and Community Development Department for a period of up to three years.
4. Lease Purchase Unit Requirements.

Affordable units may be marketed on a lease-purchase basis, subject to the following requirements:

- a. Affordable lease-purchase units shall be subject to all provisions of these Guidelines and the Municipal Code governing rental units, while being leased, and governing ownership units, at the time the purchase option is exercised, except as otherwise provided in this section.
 - b. No lease-purchaser shall be eligible to participate in occupying or owning a lease-purchase unit unless such a participant, prior to either occupation or ownership, is determined by the Housing Authority of the County of Santa Cruz to meet the requirements of the income, asset and housing cost guidelines for ownership units.
 - c. Rental payments for lease of a lease-purchase unit may exceed the amount set forth in the income, asset and housing cost guidelines; provided, however, that the amount by which such rent exceeds said rent schedule amount shall be credited to the purchaser's payment of the purchase price. If the purchase option is not exercised, said amount shall be refunded immediately by the lessor-seller to the lease-purchaser, upon the lease-purchaser's failure to exercise the purchase option.
 - d. The entire amount of any advance payment to the lessor-seller as prepayment of rent, cleaning or security deposit, or other substantially equivalent payment, shall be credited to the purchaser's payment of the purchase price. If the purchase option is not exercised, said amount shall be subject to state law and City ordinance governing same.
 - e. If a lease-purchaser does not exercise the purchase option on a lease-purchase unit and does not voluntarily vacate the premises, the lessor-seller shall, without cost to the City, immediately proceed to require the lease-purchaser to vacate said unit, including appropriate legal action, if necessary. If, in the sole discretion of the City, the City determines that the lessor-seller is not reasonably performing said obligation, the City may commence appropriate legal action to require the lessor-seller to perform said obligation and the lease-purchaser to vacate said unit. The lessor-seller shall execute all documents necessary or convenient for this purpose and shall be liable for the costs (including staff and court costs), and attorneys' fees so incurred by the City.
 - f. The maximum sales price at the time the purchase option is exercised shall be the amount in effect at the time the lease-purchase agreement is entered into.
5. Resale Prices and Adjustments to Resale Prices.
- a. The sales price will be one mutually agreed upon by the buyer and seller, provided that this price is no larger than the allowable resale price. The owner shall retain discretion in the selection of eligible buyers in accordance with Section D-2 above.
 - b. The final sales price shall be adjusted according to the criteria listed in Section I above, provided that in no case shall the maximum allowable sales price be lower than the purchase price of the unit at the time of its last sale plus the seller's closing costs and title insurance.
 - c. The purchase price of any affordable unit may be increased by the value of any substantial structural or permanent fixed improvements which cannot be removed

without substantial damage to the premises or substantial or total loss of value of said improvements, up to ten percent of the resale price under the following conditions:

- Improvements made or installed by the seller, and
- No improvements shall be deemed substantial unless the aggregate, actual, initial costs of the improvements to the owner exceed one percent of the purchase price paid by the selling owner for the premises.

III. DEFAULT, FORECLOSURE, AND LOSS OF THE UNIT.

1. The City's policy is to ensure that all affordable housing units remain affordable in perpetuity. To ensure that the City can enforce this restriction, the City's agreement with buyers of affordable homes will grant the City an option to purchase the home if there is any default by the buyer. The City's agreement with the owners of rental affordable units will also allow the City to enforce the rent restrictions if the owner fails to do so.
 2. Defaults by the owner of an affordable home include but are not limited to:
 - a. Failure to occupy the property as the principal residence of the owner, or renting the property without the City's permission.
 - b. Non-permitted transfer of the property to another owner.
 - c. Foreclosure on another deed of trust or mortgage.
 - d. Bankruptcy.
 - e. Misrepresentation when acquiring the home.
 3. If the homeowner is in default, the City will normally give the homeowner the opportunity to cure the default, unless there is a need to act immediately, such as in the case of foreclosure. The City may exercise its option to buy the home at an affordable price, or may choose to cure the default or utilize other legal remedies. These include foreclosure, injunction, or any other available legal action to enforce the affordability agreements.
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