

**CITY OF GRASS VALLEY
MEMORANDUM FOR
CITY COUNCIL MEETING OF NOVEMBER 23, 2004**

TO: Members, City Council
VIA: Hank Weston, Fire Chief

FROM: Joe C. Heckel, Community Development Director
Leslie Woodman, Housing/ED Specialist

SUBJECT: Consideration of revised Affordable Housing
Program Guidelines, Resale Restrictions
Agreement and Developer Agreement

RECOMMENDATION: Review recommendations of Subcommittee, allow for
public input and consider adoption of revised "Affordable
Housing Program Guidelines"

BACKGROUND: During the November 9, 2004 City Council meeting, Council reviewed three documents that will serve to maintain the affordability of for-sale housing units, which included: 1) the City's Affordable Housing Program Guidelines for the sale of an affordable for-sale housing units, 2) an agreement between the City and developer for setting aside, marketing and selling units to affordable individuals/families, and 3) Resale Restrictions Agreement which outlines the terms and restrictions under which the unit can be bought and sold.

A subcommittee was formed consisting of Council members Linda Stevens and Gerard Tassone to evaluate the two points or areas of concern within the program: 1) the timeframe of the affordability restrictions, and, 2) the resale restrictions and allowable appreciation. On November 17, 2004, staff met with the subcommittee to discuss the Affordable Housing Guidelines and the two areas of concern. The recommendations of the subcommittee are listed below.

Subcommittee Recommendations

1. ***Length of Affordability Restrictions.*** The unit would remain affordable for a maximum of 30 years. This would be consistent with a typical first mortgage and will allow the unit to be sold for market value after the 30th year. However, for any unit that used City funds toward down payment assistance, the unit could be sold at market value during the 30 year period with the growth in equity being equally shared by the City and seller.
2. ***Resale Restrictions and Allowable Appreciation.*** If the unit is sold within years 1-30, the unit appreciation will be determined by one of the following approaches, whichever is greater: 1) purchase price plus Consumer Price Index (CPI) plus value of home improvements (50%), or 2) purchase price plus the percentage of increase in household income for a household of four (4) at one hundred percent (100%) of the Median Income plus value of

home improvements (50%). With either of the two approaches, the unit would need to still be affordable to an income qualified household. The revised resale restrictions would enable the homebuyer to capture some of the value of selling the unit while placing a cap on the sales price to enable another eligible homeowner to purchase the unit.

3. **Obtaining Public Input.** The subcommittee requests to gain public input regarding their recommendations during this Council meeting from interested parties/stakeholders. Based on the comments received, the subcommittee is requesting to gain approval of the revised approaches to the length of affordability and resale restrictions.

The changes listed above have been made to the attached "Affordable Housing Guidelines". The two issues of "length of affordability" and "unit appreciation" that were discussed by the subcommittee comprise an essential building block in the development of these Guidelines. However, the following should be noted:

- *The City does not have an "Inclusionary Ordinance" at this time.* Until such an ordinance is passed, it is difficult to predict how many and what kind of housing units would be influenced by these Guidelines.
- *Each development project that has an element of affordable housing will be different.* As such, the affordability provisions will need to be tailored to the special needs of each project. Please be advised that these "Guidelines" serve only as a general template for how affordable housing, particularly owner-occupant units, can stay affordable. Future housing projects, particularly any Special Development Area (SDA), will require more customized and innovative approaches which can be addressed in the "Developer/City Agreement".
- *The City will need to be responsive to advances in Affordable Housing.* The City will need to adjust these Guidelines and its provisions to address future market demands and advances in the affordable housing arena.

If you have further questions, please do not hesitate to contact us

cc: Beth Owens, Housing Technician/Admin Clerk
Rick Kerr, SDG/Alliance Group, LLC and Bill Ross, Ross Properties
SDA Applicants
Cherie Beitz, Beitz Real Estate
Mimi Simmons, Cornerstone Property Management

Attachments: Affordable Housing Program Guidelines (revised 11/18/04)
Agreement with City/Developers
Resale Restrictions Agreement
Options for Affordability Requirements
Nevada County Income Limits/Home Sales Price (1994-2004)
November 9, 2004 Staff Report