



# CITY OF GRASS VALLEY

## AFFORDABLE HOUSING PROGRAM GUIDELINES

### (FOR SALE, OWNER-OCCUPIED, UNITS)

#### **I. GOALS OF AFFORDABLE HOUSING GUIDELINES**

##### **A. Objectives**

- Develop and maintain and nurture affordable housing units for very low, low and moderate income levels in Grass Valley.
- Implement the policies outlined in the City's General Plan and Housing Element.
- To Meet the City's Very Low, Low- and Moderate-Income Housing Needs
- Provide a range of housing opportunities for households within the very low to moderate income range, with the emphasis for future housing directed towards addressing the needs of lower income households.

##### **B. Intent of Program**

Provide income eligible residents the opportunity to purchase and occupy affordable single family homes. Units developed under these guidelines will be regulated to ensure affordability. These specified units will abide by these guidelines.

#### **II. DEFINITIONS**

Whenever the following terms are used in these guidelines, they shall have the following meanings:

**A.** "Affordable Housing" means affordable for-sale housing. Affordable for-sale housing is housing affordable to households whose incomes do not exceed one-hundred and twenty percent (120%) of the area median income.

**B.** "Area Median Income" means the median household income for Nevada County as determined annually by the U.S. Department of Housing and Urban Development.

**C.** "For-Sale Units" means housing units offered for sale including, but not limited to, single family homes, condominiums, other common interest developments and mutual housing associations.

**D.** "Household size" means all occupants of the affordable housing unit consisting of the principal occupant(s) appearing on the property lease or title, foster children, and other persons related by blood, marriage, operation of law who reside in the unit.

**E.** “Very-low Income” describes a household earning a gross income of not more than 50 percent of the median income for Nevada County as determined annually by the U.S. Department of Housing and Urban Development, as adjusted for household size.

**F.** “Lower Income” describes households earning a gross income of not more than 80 percent of the median income for Nevada County as determined annually by the U.S. Department of Housing and Urban Development, as adjusted for household size.

**G.** “Moderate Income” describes households earning a gross income of more than 80 percent and less than 120 percent of the median income for Nevada County as determined annually by the U.S. Department of Housing and Urban Development, as adjusted for household size.

**H.** “Market Rate Unit” describes a dwelling unit where the rental rate or sales price is not restricted by this resolution.

**I.** “Occupancy Standards” describes the minimum household size upon which qualification and pricing for affordable housing units is based.

### **III. SELECTION PROCESS**

All applicants will be entered onto a waiting list on a first come, first serve basis. However, priority will be given to the applicants who meet all of the eligibility requirements in Section IV. In order to achieve eligibility, all applicants must meet, at a minimum, the requirements pertaining to income and provide evidence of loan pre-qualification. The City will forward the established eligibility list for each project to the developer. The developer will be required to first consider all eligible applicants as forwarded by the City for placement in the Affordable Units.

### **IV. ELIGIBILITY REQUIREMENTS**

Eligibility for the Affordable Housing Program will be determined based on applicant’s income. Applicants income must be at or below 120% of Nevada County’s median income. These income limits are based on median household income for Nevada County as established by the US Department of Housing and Urban Development (HUD).

Eligibility requirements and income limits may vary based on the specific conditions and regulatory agreement executed for each development project. The City’s Community Development Department will provide information on eligibility requirements for each project including, but not limited to, application distribution and public outreach.

Nevada County Income Limits and definition of Income and Assets are available in Appendix A – Income Limits and Income/Assets Definition. (Income guidelines will be modified as new information is received from HUD)

#### **A. Income**

To establish the eligibility of individuals participating in the City’s Affordable Housing Program, limits are set on the amount of income households occupying the units can earn.

The income categories established to administer the affordable housing program are:

- “Very Low Income” households are defined as those with incomes equal to or less than 50% of median household income
- “Lower Income” households are defined as those with incomes greater than 50% and up to 80% of median household income.
- “Moderate Income” households are defined as those with incomes greater than 80% and less than 120% of median household income.

#### **B. Local Worker**

Preference shall be given to persons working in Grass Valley and Nevada County such as in the fields of public safety, medical and education. In order to qualify under this provision, applicants must provide adequate documentation that they have been employed within the City or County for at least 60 days prior to their application for an affordable unit.

#### **C. Local Resident**

Preference shall be given to persons residing in Grass Valley and Nevada County. In order to qualify under this provision, applicants must provide adequate documentation that they have resided within the City or County for at least 6 months prior to their application for an affordable unit.

#### **D. First Time Homebuyer**

Preference shall be given to persons who have not previously owned a home or have not owned a home within the last three years.

#### **E. Pre Approval Loan**

Preference shall be given to persons that are pre-approved for a mortgage from a recognized lending agency. The City will require a copy of the letter of pre-qualification from the lender as proof of availability of financing.

#### **F. Minimum Household Size**

The minimum size of the family purchasing an Affordable Housing Unit shall be limited by the bedroom size of the house. Other households for such units will be on a lower priority. Please see Table 1 for further clarification.

### **Table 1**

<b>Number of Bedrooms in Unit</b>	<b>Minimum Household Size</b>
Studio/1 Bedroom	1 person
2 Bedrooms	1 person
3 Bedrooms	2 person
4 Bedrooms	4 persons
5 Bedrooms	5 persons

Family size refers to all persons, related or not, living in the home, including all children under the age of 18.

**V. INCOME AND ASSETS**

To determine whether a household is income eligible, it is necessary to include all income and assets, which is determined by the Department of Housing and Urban Development (HUD), HOME Program. A listing of Income and Asset are available in Appendix A – Income Limits and Income/Assets Definition.

**VI. REQUIREMENTS ON AFFORDABLE HOUSING UNITS**

**A. Maximum Sales Price/Price of Units.** The maximum sales price of Affordable Housing Units shall be limited to a price that is affordable to a household earning at or below 120% of area median income, adjusted for household size, with payments not to exceed between 30-35% of the gross monthly income, less insurance and property taxes and homeowners association dues. The maximum allowable sales price shall be determined at the time of filing of the original “Notice of Intent to Sell” for the affordable unit by the developer.

**B. Sales Restrictions.** Affordable Housing Units shall be sold or resold only to income eligible households. The City, or its designees, shall determine the eligibility of such households. A deed restriction, covenant, and/or other instrument enforceable by the City, limiting the resale of such units to eligible or lower income households shall be recorded in the chain of title of all Affordable Housing Units. The Resale Restriction Agreement shall be reapplied and recorded upon each resale of the unit.

The Resale Restriction Agreement shall indicate that the City have the first right of refusal to purchase the unit. The City’s option to purchase may be assigned to a qualifying income eligible household. The Resale Restrictions Agreement requires the unit to remain affordable for 30 years. This would be consistent with a typical first mortgage and will allow the unit to be sold on the open market value after the 30<sup>th</sup> 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. This Resale Restriction and length of affordability may need to be tailored to the special needs of each development project.

The City or its designee shall be responsible for selection and qualification of buyers in accord with Section IV of these Affordable Housing Guidelines.

**C. Unit Appreciation.** Each unit offered for resale will be subject to the Resale Restrictions Agreement in which the effective sales price will be computed using one of the following approaches, whichever is greater: 1) purchase price plus Consumer Price Index (CPI) plus value of home improvements, 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. With either of the two approaches, the unit would need to still be affordable to an income qualified household. Home improvements include the amount of improvements legally constructed on the property after purchase of the house per Appendix B.

**D. Occupancy Restrictions.** Units shall be restricted to occupancy by owners of the house. Renting, leasing, subleasing or subletting shall not be permitted for more than two months in any year. Violation of these occupancy restrictions will be grounds for termination of the occupancy. Consideration for hardship situations may be granted if notification is received by the City and sufficient documentation is submitted.

**E. Use of City Funds for Down Payment Assistance.** 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.

**F. Fees.** Upon the resale or refinance of an affordable unit, the owner shall be charged a fee by the administrative agency for the preparation of new Declarations of Restrictions and Requests for Notice of Default as may be required, and for the monitoring and processing of the transactions. Fee amounts for these and other fees necessary to implement the City's Affordable Housing Program shall be established by the City's Fee Schedule, which is adopted by resolution of the City Council.

## **VII. ADMINISTRATION: CITY/DEVELOPER RESPONSIBILITIES**

**A. City Responsibilities.** The Community Development Department or its designee shall be responsible for administering the provisions of the Affordable Housing Program Guidelines. The Department shall be responsible for preparing and reviewing all application materials and agreements associated with this program.

The City's Community Development Director or a designee shall be

responsible for administration of the Affordable Housing Units program, including, but not limited to, determinations regarding calculation of the number of Affordable Housing Units required, pricing, design, qualification of occupants, and long-term program compliance. The Director or a designee may update these administrative guidelines to further clarify future program requirements. The Community Development Department will provide information on eligibility requirements for each project including, but not limited to, the application distribution form and public outreach.

**B. Developer Responsibilities.** The Developer shall be responsible for complying with the provisions of the Affordable Housing Program Guidelines and the following administrative requirements:

**Application Process.** At the time of filing a planning and/or building permit application for a development project subject to the Affordable Housing Program Guidelines, the developer shall provide the following information:

1. The number of Affordable Housing Units proposed;
2. The unit sizes and the number of bedrooms per dwelling unit;
3. The location of the Affordable Housing Units;
4. The interior unit amenities which may differ from market-rate units, including, but not limited to, floor coverings, appliances, plumbing and electrical fixtures;
5. The schedule for production of Affordable Housing Units in phased developments; and
6. A deed restriction, covenant, and/or other recordable instrument enforceable by the City, limiting the resale of such units to eligible or lower income households.

**Affordable Housing Unit Agreement.** Prior to recordation of a final map or issuance of a building permit application, whichever occurs first, for a development project subject to the Affordable Housing Program Guidelines, the applicant shall enter into an "Affordable Housing Unit Agreement" with the City. Such agreement will be required as a condition of project approval.

**Appendix A**  
**INCOME LIMITS AND INCOME/ASSETS DEFINITION**  
**AUGUST 2004**

**INCOME LIMITS**

The 2004 maximum annual household income limits are listed below:

Income Category (Percent of median)	Number of Persons in Household							
	1	2	3	4	5	6	7	8
Very Low (50%)	\$22,250	\$25,450	\$28,600	\$31,800	\$34,350	\$36,900	\$39,450	\$42,000
Low (80%)	\$35,600	\$40,700	\$45,800	\$50,900	\$54,950	\$59,000	\$63,100	\$67,150
Median (100%)	\$44,500	\$50,900	\$57,250	\$63,600	\$68,700	\$73,800	\$78,850	\$83,950
Moderate (120%)	\$53,400	\$61,050	\$68,650	\$76,300	\$82,400	\$88,500	\$94,600	\$100,700

**HOUSEHOLD INCOME DEFINITION**

Household income is the monetary benefits before deductions or exemptions that are anticipated to be received during the 12 months following occupancy of the unit by the occupying household as well as by all persons who share in the ownership of the unit.

Income includes, but is not limited to:

- (a) All wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services, before payroll deductions;
- (b) Net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);
- (c) Interest, dividends and other net income of any kind from real or personal property;
- (d) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including any

lump sum amount or prospective monthly amounts for the delayed start of a periodic payment;

- (e) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
- (f) Welfare Assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
  - The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus
  - The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities.

The maximum amount of public assistance available to the above persons other than the amount of any assistance specifically designated for shelter and utilities;

- (g) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
- (h) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and
- (i) Any earned income tax credit to the extent that it exceeds income tax liability.

Assets include, but are not limited to:

- (a) Cash savings, including but not limited to bank accounts, credit union accounts, certificates of deposit, and money market funds;
- (b) Marketable securities, stocks, bonds and other forms of capital investment;
- (c) Inheritance and lump sum insurance payments, already received;
- (d) Settlements for personal or property damage already received;
- (e) Equity in real estate, except as stated below; and
- (f) Other personal property that is readily convertible into cash.

The following are not considered assets:

- (a) Ordinary household effects including furniture, fixtures, and personal property;
- (b) Automobiles used for personal use;
- (c) Equity in the parcel or lot on which an owner-builder unit is to be built; and
- (d) Cash, securities, stocks, bonds and other forms of capital held in a tax deferred retirement plan recognized by the Federal Internal Revenue Service.

## **Appendix B**

### **HOME IMPROVEMENTS**

The maximum resale price of an affordable unit as determined in Section IV above may include the increase in unit value created by legally constructed improvements made to the property by the seller in the amount of fifty percent (50%) of the cost of verifiable and documentable capital improvements to the Unit, exclusive of any interest costs Owner may have incurred to make the improvement, and exclusive of the cost of any removable appliances by the owner and are based on the following criteria:

- (a) The improvements shall constitute substantial structural or permanent fixed improvements that cannot be removed without substantial damage to the premises or substantial or total loss of value of said improvements;
- (b) The improvements shall not increase the resale price by more than 10%. No improvements shall be deemed substantial unless the aggregate, actual, initial costs of the improvements to the seller exceed one percent of the purchase price paid by the seller for the premises except as provided below; The seller's portion of the cost of improvements to the common areas of a condominium made by a mandatory assessment by the homeowners association shall be considered the same as an improvement made directly by the owner. The one percent minimum expenditure requirement shall not apply to such assessments;
- (c) The replacement and upgrades of appliances, fixtures and equipment which were originally sold as part of the unit shall be deemed substantial improvements if the replacement is required by the non-operative or deteriorated nature of the original appliance, fixture, or equipment. The replacement must be of comparative value. The one percent minimum expenditure requirement shall not apply to such replacements;
- (d) No adjustment shall be made for the value of any improvements unless the owner shall present to the City valid written documentation of paid receipts from vendors for the cost of said improvements and all necessary permits and inspections for the improvements, as required, have been obtained; and
- (e) The amount by which the sales price shall be adjusted shall be the estimated market value of the improvements when considered as additions or fixtures to the premises (i.e., the amount by which said improvements enhance the market value of the premises) at the time of sale. The administering agency shall have an estimate made by a qualified individual of its choice to establish the market value. A qualified individual shall be one who has, at a minimum, experience in residential construction, such as a licensed contractor or construction estimator. The owner may also have an appraisal made by an appraiser, of owner's

choice and subject to approval of the administering agency, to establish the market value. If agreement cannot be reached, the average of the two estimates shall be termed the market price.