COUNTY OF SANTA CRUZ

Affordable Housing Guidelines

Income and Rent Limits updated June 12, 2023

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CHAPTER I: INTRODUCTION

Applicability

These Santa Cruz County Affordable Housing Guidelines (Guidelines) provide administrative and operational guidance for County Affordable Housing Programs, including the Measure J Inclusionary Housing Program, the Density Bonus Program, and the Accessory Dwelling Unit Loan Program. The Guidelines are adopted by Resolution of the Santa Cruz County Board of Supervisors and fulfill the requirements of Santa Cruz County Code (SCCC) Chapter 17.10, Affordable Housing Requirements.[1]

These Guidelines are periodically revised, updated and adopted by the County to accomplish the objectives of the County's Affordable Housing Program, and establish regulations for County Affordable Housing Programs, in addition to all other applicable State and County laws and regulations governing the sale or rental of housing. They are updated administratively following annual updates of the State Income Limits by the State Department of Housing and Community Development (HCD), or when the Board of Supervisors makes changes to applicable fees or other changes affecting these housing programs. The current Santa Cruz County income limits for all programs covered by these Guidelines are provided in **Exhibit 1** to these Guidelines. These Guidelines implement the intent and specific provisions of each Program by providing income and asset limits for participating households, eligibility requirements for renting or purchasing Affordable Units, and development, rental, and marketing standards for Affordable Units. If these Guidelines do not provide specific guidance for a particular situation that arises in operation of any of these programs, and there is more than one possible interpretation or application of the AHG guiding principles, it is the intent of the Board of Supervisors that staff choose and follow the interpretation/application that best preserves the stock of affordable housing units and furthers their availability to those who qualify.

General Definitions

As used in these Affordable Housing Guidelines, unless the context requires otherwise, the following words and terms have the meanings set forth below. Definitions specific to each chapter of these Guidelines are included within each chapter.

Administering Agency: the Planning Department of the County of Santa Cruz, or other department as authorized by the County Board of Supervisors.

Accessory Dwelling Unit (ADU): a unit built in compliance with California Government Code Section 65852.2, which is an attached or detached residential dwelling unit which provides complete independent living facilities for one or more persons. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family dwelling is situated.

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[1] These Guidelines constitute and were formerly entitled the Santa Cruz County Affordable Housing Program Income, Asset and Unit Price Guidelines from their inception as referenced in the Santa Cruz County Code, including but not limited to Chapter 17.10 and in all documents executed pursuant thereto.

Affordable Unit: a dwelling unit located within Santa Cruz County, including in some cases within its cities, that is deed restricted as to affordable sale price, including a Measure J Unit, a Density Bonus Unit or a unit financed with former redevelopment funds or through the ADU Loan Program.

County: the County of Santa Cruz, a political subdivision of the State of California.

Density Bonus Unit(s): either rental or ownership units developed pursuant to SCCC 17.12.

Household: all persons who occupy any housing unit as their primary residence and form a single housekeeping and economic unit, or all occupants of the Affordable Unit, including the Principal Occupants.

Household Income: the combined gross annualized income of all adult household members, as further defined herein.

Lower Income" Households: households with incomes at or below the Low-Income limit published by HCD, which is set at approximately 80% of median household income. See **Exhibit 1** for current limits.

Maximum Resale Price: the maximum sale price for resale of Affordable Homeownership Units. The County updates the formula used to determine Maximum Resale Price for Measure J Units annually using current income limits and prevailing interest rates. The Maximum Resale Price shall be a purchase price which is affordable to a Moderate-Income Household at 100% of median income, as adjusted by the assumed household size determined based on the number of bedrooms in the Measure J Unit. The Maximum Resale Price of some RDA assisted units are based on a different formula as described in the property specific restrictions applicable to each unit.

Moderate Income Households: households with incomes at or below the Moderate-Income limit published by HCD, which is set at approximately 120% of median household income. See **Exhibit 1** for current limits.

Ordinance: shall refer to Santa Cruz County Code Chapter 17.10.

Participation Agreement: the agreement entered into between the owners of a property and the County of Santa Cruz that contains the affordable housing requirements established for the residential project and encumbering the entire property on which the residential project is to be developed with the obligation to fulfill those affordable housing requirements.

Principal Occupant(s): those members of the Household whose names appear, or are proposed to appear, on the property lease or title, also referred to as "Applicant(s)".

Program: shall mean the County's Affordable Homeownership Unit Program including the Measure J, Density Bonus, and Former Redevelopment Agency Programs.

Very Low Income households: households with incomes at or below the Very Low-Income limit published by HCD, which is set at approximately 50% of median household income. See **Exhibit 1** for current limits.

Monitoring
The Administering Agency has the authority to monitor all Affordable Units under the jurisdiction of the County on an annual basis to ensure compliance with all applicable State and local statutes, ordinances, and regulations. Upon the request of the Administering Agency, program participants shall furnish to the Administering Agency documents verifying occupancy of the Affordable Unit, rents and income of the current tenants, for rental units, and verifying that there have been no changes in the way title to the Affordable Unit is held, for ownership units. Such documents may include, but are not limited to, DMV vehicle registration documents, personal income tax forms, utility or property bills, mortgage statements, and/or leases, as applicable, showing owner's name and the address of the home.

PROGRAMS COVERED
These guidelines cover the County affordable housing programs listed below, pursuant to County Code and Board direction. Some of these programs can create either rental or for-sale housing units. Guidance for prospective buyers and current homeowners of all affordable for-sale (owner-occupied) homes regulated by these Guidelines are provided in Chapter II: Homeownership Program. Guidance for prospective renters and current tenants of rental units subject to these Guidelines is provided in Chapter III: Rental Program. Guidance for developers and/or landlords of affordable units is provided in Chapter IV: Guidance for Developers and Landlords. Guidance for builders, property owners, and developers subject to the County's Affordable Housing Impact Fee (AHIF) Program is provided in Chapter V of these Guidelines. The exhibits at the end provide information that is applicable to one or more programs in one place for quick reference. The exhibits are updated annually or as needed pursuant to Board action and/or HCD updates.

A. MEASURE J INCLUSIONARY HOUSING PROGRAM
Santa Cruz County's Inclusionary Housing Program has been called the "Measure J Program" since the initiative that established it, Ballot Measure J, was passed by voters in 1978. The affordable housing component of Measure J is an inclusionary zoning policy that requires 15% of units in all new residential developments built since the measure passed to be affordable to low- or moderate-income households (referred to in the measure text as "average income"). Santa Cruz County Code Section 17.10 enacts the affordable housing provisions of Measure J. The Measure J program includes both for-sale and rental housing units, although the majority of current Measure J units are in the homeownership program.

Measure J rental units may be located within standard rental apartment complexes, or in limited cases, may be former Measure J owner-occupied homes converted to rental use with County approval, but which may be converted back to owner-occupancy upon resale or if the owner wishes to move back in. Those units are known as "Investor-Owner" units.

B. DENSITY BONUS PROGRAM
Affordable Units may be created through the Density Bonus Program set forth in SCCC Chapter 17.12 and in California law. These Guidelines provide administrative guidelines and implement the affordability and operational restrictions for affordable units created through the Density Bonus program, referred to as "Density Bonus Units". Developers are required to enter into an Affordable

Housing Participation Agreement that will identify the targeted affordability level of the units in their projects, and whether the units are rental or for sale. Occupancy, eligibility and enforcement of the Density Bonus Units will be determined by these Guidelines and applicable state law. Density bonus projects are also subject to the applicable requirements of SCCC Chapter 17.10, depending on type of project.

C. ADU FORGIVABLE LOAN PROGRAM

The ADU Forgivable Loan Program was established by the Board in 2017 to provide below market-rate financing to homeowners interested in building ADUs who agree to record a deed restriction against their property that requires the ADU to be rented at affordable rents to lower-income tenants. This assistance is in the form of a three percent (3%) simple interest loan, deferred and forgiven after 20 years provided the unit is held and occupied by low income households for the term of the loan. ADUs created through this program are rental units and subject to the requirements of Chapter III of these guidelines for the term of the deed restriction. Applicable rent and income limits are provided in the Exhibits.

D. FORMER REDEVELOPMENT AGENCY (RDA) PROGRAMS

Certain subsidized homeownership developments assisted by the County's former Redevelopment Agency (RDA) are subject to these Guidelines. The Administering Agency maintains records of those developments. In addition, some homes purchased with RDA-funded First Time Homebuyer Loans are also subject to these Guidelines. In both cases, there are property-specific agreements and restrictions that set forth detailed terms and/or repayment provisions applicable to each property. Chapter II of these Guidelines addresses administrative issues such as procedures for resales and eligibility requirements for applicants wishing to purchase these homes. If there is any conflict between these Guidelines and the RDA agreements and documents covering a particular property, the stricter limit or requirement shall prevail. Notwithstanding anything to the contrary in any part of these Guidelines, RDA-assisted homeownership units may not be rented out or converted to Investor-Owner status.

Administering Agency Contact Information

The County of Santa Cruz Planning Department, Housing Division (County) is the Administering Agency for all programs covered by these Guidelines. Within that framework, the County recently entered into a Memorandum of Understanding (MOU) with the Housing Authority of the County of Santa Cruz for homebuyer eligibility screening services for County-restricted affordable homes (e.g., Measure J homes and Redevelopment Agency-assisted homes). Pursuant to this MOU, homebuyer eligibility applications for these units are submitted directly to the Housing Authority for program eligibility screening. Once applicants are determined eligible by the Housing Authority, their loan and escrow information is submitted to the County for underwriting and escrow approval. Further detail on homebuyer application submittal, contact information, and related procedures is provided in Chapter II of these Guidelines and in the homebuyer application form. All other administrative services related to the programs covered by these Guidelines are provided by the County Planning Department, Housing Division. In the event that the MOU is amended, rescinded or other changes are made to the administrative or application submittal process, Program materials on the County's website, below, will be updated accordingly. Interested parties should contact the County with any questions:

County of Santa Cruz Planning Department, Housing Division

Contact: Housing Manager
Phone: (831) 454-2332
Email: HousingProgramsInfo@santacruzcounty.us
Web: http://www.sccoplanning.com/PlanningHome/Housing.aspx
Fax: (831) 454-2131
Address: 701 Ocean St., Room 418, Santa Cruz, CA 95060
TDD: 711

CHAPTER II: AFFORDABLE HOMEOWNERSHIP PROGRAM

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INTRODUCTION

These County of Santa Cruz Measure J Homeownership Program (the "Program") Guidelines set forth the eligibility criteria and application requirements for prospective Measure J and RDA unit home buyers, as well as long-term Measure J home ownership requirements and related Program requirements as listed below. These Guidelines are established by the County of Santa Cruz Board of Supervisors and may be revised and/or updated periodically, as determined necessary by the Planning Director, to accomplish the objectives of the Program and to guide Program administration. The County of Santa Cruz Housing Division, part of the Planning Department, is the agency authorized to administer the Measure J Homeownership Program. Please refer to the Program's website for the most current version of these Guidelines and related Program information:

http://www.sccoplanning.com/PlanningHome/Housing/MeasureJAffordableHousingProgram.aspx

Purpose:

The Measure J Program was established to provide affordable home ownership opportunities to moderate- and lower-income, first-time home buyer households. The Program provides priority to purchase available Measure J homes to those eligible home buyer households who currently live or work in Santa Cruz County, as explained herein. The former Redevelopment Agency of the County of Santa Cruz provided funding and otherwise facilitated development of Affordable Homeownership units targeting moderate-income first-time homebuyer households. These Guidelines provide parameters for qualification for those programs and, unless otherwise stated, are applicable to both Measure J and RDA Homeownership units, collectively referred to as Affordable Homeownership Units.

Enabling Legislation:

The Measure J Program was established by and is governed by Chapter 17.10 of the County Code (the "Ordinance"), which authorized the County Board of Supervisors to develop and maintain these Program Guidelines to establish detailed Program requirements and administrative procedures as recommended by the Planning Director. All Measure J homes, Measure J homeowners, and Measure J home buyer applicants are subject to the requirements of the Ordinance and these Guidelines, to the extent allowed by law. Requirements for developers of Measure J homes, such as sales procedures, pricing, unit standards, and alternatives to on-site construction, are set forth in the Ordinance and in project-specific Participation Agreements.

SECTION A. DEFINITIONS

As used in these Affordable Unit Homeownership Program Guidelines, the following words and terms have the meaning set forth below:

Applicant/Co-Applicant: a Head of Household and any adult members of their household aged 18 or older ("Co-Applicant(s)") who is/are interested in purchasing and residing in an Affordable Homeownership unit, as evidenced by their signature(s) on a home buyer application submitted to the County. "Applicant" may be used herein to refer to the Applicant's entire Household and/or to all adults in the Household, as the context requires. Primary Applicant refers to the first-named party on the application form, who must be the Head of Household, as defined herein. Co-Applicants are all other adult members of the Household aged 18 years or older.

Accessory Dwelling Unit (ADU): a unit built in compliance with California Government Code Section 65852.2 and applicable County zoning and building codes that is an attached or detached residential dwelling unit which provides complete independent living facilities for one or more persons and is located on a lot with a proposed or existing primary residence. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation. See also Junior ADU (JADU), below.

Affordable Homeownership Unit: a dwelling unit located within Santa Cruz County, including in some cases within its cities, that is deed restricted as to affordable sale price, including a Measure J Unit, a Density Bonus Unit or a unit financed with former redevelopment funds or through the ADU Loan Program.

Area Median Income (AMI): the median household/family income for Santa Cruz County, adjusted for actual household size, as determined annually by the California Department of Housing and Community Development (HCD).

Asset: a cash or non-cash item that can readily be converted to cash. The value of ordinary (i.e., non-investment) personal or household items, such as furniture and personal vehicles, are not considered assets for the purpose of Measure J Program eligibility.

County: the County of Santa Cruz, a political subdivision of the State of California.

Eligible Household: a Household (see definition below) that is eligible to purchase an Affordable Homeownership Unit, as follows:

- A Household which is living together in the same dwelling unit on the date of Program application, and which has been living together in the same dwelling unit for at least six months prior to the application date. This must be proven with Valid Third-party Documentation, as defined herein and listed as required attachments in Program application forms, to verify that each member of the Household resides, and has been residing for six months, at the same dwelling unit and street address;

- This Household must be a verified Moderate-Income Household; meaning the total gross (pre-tax) annual income and assets of all adult Household members aged 18 or older, combined, do not exceed the Program's income and asset limits provided in **Exhibit 2**, adjusted for the size of the Household.

- In addition, all adult Household members, except elderly, disabled, or young adults who are listed as financial dependents on the federal tax returns of another Household member, must provide evidence of membership in the Household, which includes sharing financial resources and responsibility for basic housing expenses, including rent and utilities. Such evidence shall be provided in Program application forms, as described in application forms and/or instructions.

- Finally, all of the current members of Applicant's household must individually meet all Program eligibility requirements applicable to individuals, such as First Time Home Buyer status, as explained in Section B of these Guidelines.

First Time Home Buyer: an individual or individuals, or an individual and their spouse, who have not owned a home during the three-year period prior to the date of application to purchase an Affordable Homeownership Unit, except that the following individual or individuals may not be excluded from consideration as a first-time home buyer under this definition:

1. A "displaced homemaker" who, while a homemaker, owned a home with their spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for their home and family;

2. A single parent who, while married, owned a home with their spouse or resided in a home owned by the spouse. A single parent is an individual who is unmarried or legally separated from a spouse and has one or more minor children for whom the individual has custody or joint custody or is pregnant; or

3. An individual or individuals who owns or owned, a home during the three-year period before the purchase of an Affordable Homeownership Unit, a dwelling unit which is:

i. Personal property/chattel only: A mobile/manufactured home installed in a rental mobile home park or other property where the homeowner pays rent for the space and does not have any ownership interest in the site where the home is installed (ownership interest includes a cooperative share of a resident-owned park, or any other form of interest in a resident-owned park or other real property, such as a subdivision lot, condominium unit, or other parcel) ; or

ii. Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

[Above definition is from Title 25, California Code of Regulations §8201(l), as modified.]

4. Gifted property (a.k.a. "estate planning") exemption: An applicant(s) who currently owns a partial interest in a home which is not their primary residence, if the applicant was gifted the interest in the home, is willing to quitclaim off title prior to purchase of the Affordable Unit, and has not done any of the following in relation to this home:

a) Purchased the home or any interest in the home, as reflected by any purchase and sale agreement or related transfer documents, and/or providing any payment or contribution of funds toward purchase of the home or any partial interest in the home;
b) Earned rental income or other income of any kind through ownership of the home;
c) Been named as a borrower or co-signer on any mortgages or liens against the home, and/or made any mortgage payments or contributions toward any mortgage payments on the home;
d) Claimed an income tax deduction for mortgage interest and/or property tax payments made on this home;
e) Paid any portion of the property taxes on the home at any point time, or filed for a homeowner's exemption at that address; or
f) Within the time period that applicant's name appeared on title: lived in the home and/or listed this address as their home address in any government document (e.g., DMV license or registration, IRS forms or tax returns, school enrollment, etc.).

Gross Household Income: the gross (pre-tax) amount of income of all adult household members that is anticipated to be received during the coming 12-month period, as further defined in Code of Federal Regulations Title 24, Part 5 ("Part 5"). The Part 5 definition of gross household income is based on a list of income and asset inclusions and exclusions used to determine gross annual income. This list is included in **Exhibit 2** to these Guidelines. Program staff will follow the most current edition of the "Technical Guide for Determining Income and Allowances for the HOME Program" (currently the Third Edition, January 2005), published by HUD, to determine applicants' income eligibility for the Program. This publication is available for review at the Planning Department.

Guidelines: these County of Santa Cruz Affordable Homeownership Program Guidelines.

Head of Household: an adult who is the primary tenant (i.e., first listed lessee) on a current lease for a rental dwelling or mobile home park space that is the adult's primary residence, and who is financially and/or legally responsible in full or part for all members of their household, if any. In the case of households headed by a couple (married, domestic partners, common law spouses, etc.), the adult who files federal tax returns on behalf of most or all of the dependents in the household is generally considered the head of household, however either member of the couple may apply as the household head, as long as they meet Program eligibility requirements and can obtain the financing and down-payment needed to purchase an Affordable Homeownership Unit. The Head of Household shall be listed as the Primary Applicant on the application to purchase an Affordable Homeownership Unit.

Household: all persons occupying a housing unit. The occupants may be a family, as defined in 24 CFR 5.403; two or more families living together; or any other group of related or unrelated persons who share living arrangements, regardless of actual or perceived sexual orientation, gender identity, or marital status. (Code of Federal Regulations Title 24, Section 570.3). See Section B for further details.

Household Income: the combined gross annualized income of all adult household members, as further defined herein.

HCD: the California Department of Housing and Community Development.

HUD: the United States Department of Housing and Urban Development.

Junior ADU (JADU): shall be defined per SCCC 13.10.700-J: "In compliance with California Government Code Section 65852.22, a residential living area contained within a proposed or existing single-family residence that is no more than 500 square feet in size. JADUs can include additions to an existing structure of no more than 150 square feet. JADUs shall include independent provisions for living, sleeping, eating, and cooking (area meeting the definition of Efficiency Kitchen but not a standard Kitchen), and shared or separate sanitation facilities with the main dwelling unit." JADUs and ADUs collectively may be referred to in these Guidelines as J/ADUs.

Living in Santa Cruz County: occupying as the Applicant's principal residence, at time of application and for at least sixty (60) days prior to application date, a *bona fide* rental dwelling unit (or owning and occupying a manufactured home and renting a mobile home space in a mobile home park), or other housing unit within Santa Cruz County, including any of its four incorporated cities. This residency requirement must be evidenced by Valid Third-Party Documentation (a *bona fide* lease, a current California driver's license or identification card showing street address, not post office box, of such residence, current California vehicle registration card, or gas/electric/water bills showing street address and Applicant's name as customer). *See also "Working in Santa Cruz County" definition, below.*

Lower Income Households: households with incomes at or below the Low-Income limit published by HCD, which is set at approximately 80% of median household income. See **Exhibit 1** for current limits.

Maximum Resale Price: the maximum price for resale of Affordable Homeownership Units. The County updates the formula used to determine Maximum Resale Price for Measure J Units annually using current income limits and prevailing interest rates. The Maximum Resale Price shall be a purchase price which is affordable to a Moderate-Income Household at 100% of AMI, as adjusted by the assumed household size determined based on the number of bedrooms in the Measure J Unit. The Maximum Resale Price of some RDA-assisted units are based on a different formula as described in the property specific restrictions applicable to each unit.

Measure J Home: a home developed and provided for sale to moderate- or lower-income households pursuant to Santa Cruz County Code Chapter 17.10 (the Ordinance), at a price affordable to lower- or moderate-income households, as specified in the Ordinance, and the Affordable Housing Participation Agreement entered into by the developer of the home.

Moderate-Income Household: a Household with total gross income of all Household members combined, as determined using the HUD Section 8 “Part 5” method, that does not exceed the Program's income limits, adjusted for actual Household size, which are based on 120% of Area Median Income for Santa Cruz County, and whose total combined assets do not exceed the Program’s asset limits. See **Exhibit 2** to these Guidelines for more detail about the Part 5 method and the current Program Income and Asset Limits, which are updated annually.

Neighborhood Safety Criteria: any serious felony conviction under Penal Code Section 11105.03(b) which would make an applicant or co-applicant ineligible for the Measure J program.

Occupancy Standards: the minimum and maximum number of household members eligible to purchase and occupy an Affordable Homeownership Unit of a certain number of bedrooms. The Occupancy Standards, when applied to each Applicant Household, take into account the characteristics of the household members listed in the application, such as age, gender, and familial relationship, if any, to determine the size of Affordable Homeownership Unit (number of bedrooms) an Eligible Household may purchase. These Standards are provided in **Exhibit 3**.

Participation Agreement: the agreement entered into by and between a property owner(s) and the County of Santa Cruz that contains the affordable housing requirements established for development of a residential project on that property and which encumbers the entire property with the obligation to fulfill those affordable housing requirements.

Primary Applicant: the Head of Household (see definition) of any Household which has submitteda Program application of any kind. The Primary Applicant is the first listed Applicant on a Program application, must be the primary borrower on the first mortgage loan, must take title to the

Affordable Homeownership Unit and will be the primary point of contact for Program staff when communicating with the Household during the application process and (if approved) escrow period.

Principal Occupant(s): those members of the Household whose names appear, or are proposed to appear, on the property lease or title, also referred to as "Applicant(s)".

Priority Household: an Eligible Household which is Living in Santa Cruz County as defined herein, or an Eligible Household of which the Head of Household/Applicant, and/or a co-Applicant who will also take title to the Home and be a Borrower on the first mortgage used to purchase the home is Working in Santa Cruz County, as defined herein.

Program: shall mean the County's Affordable Homeownership Unit Program including the Measure J, Density Bonus, and Former Redevelopment Agency Programs.

Purchase-Ready: able to qualify for adequate financing to purchase a Measure J home; able to provide a minimum down-payment of at least 3%, or greater amount if required by the first mortgage lender, plus closing costs; and completed a HUD-certified home buyer course. Adequate financing must include a conventional first mortgage loan provided by an established residential lender that meets the requirements described in Section E of these guidelines. Down-payment and closing costs may include gift funds if seasoned and documented, as explained in application forms, up to the limits provided in Section B. Applicants with recent foreclosures, bankruptcies, credit scores below 620, or inadequate down-payment funds do not qualify as Purchase-Ready.

Reasonable Accommodation: accommodations in Program rules, policies, practices, or services, when such accommodations may be necessary to afford a disabled person, or a household with a disabled member, equal opportunity to apply for, use and enjoy a Measure J home, including public and common use areas, as would be available to non-disabled persons or households in similar circumstances. The requested accommodation must be reasonably related to the particular disability of the household member and must be necessary in order to provide the household with equal access to housing. For instance, if a disabled household member requires a separate bedroom due to their disability, when the Occupancy Standards would otherwise require them to share a bedroom with another household member, they may request a Reasonable Accommodation to the Program Occupancy Standards in order to purchase a Measure J home with an adequate number of bedrooms.

Valid Third-Party Documentation: documents issued directly by a public agency, private utility company, taxing entity, creditor, financial institution, school, employer, business, or Certified Public Accountant on such entity's own letterhead, verifying one or more eligibility criteria of any Applicant, Co-Applicant, or their dependents. Such documentation may be verified by Program staff through direct contact with such agency/issuer by phone, email, or written inquiry to verify accuracy of document's contents. Written statements of parties with any direct or indirect interest in the Measure J home purchase (i.e., persons related to Applicant by blood/family relationship, marriage, business ties [other than Certified Public Accountant, in the case of self-employment income] or other close personal relationship), do not qualify as Valid Third-party Documentation.

Very Low Income Households: households with incomes at or below the Very Low-Income limit published by HCD, which is set at approximately 50% of median household income. See **Exhibit 1** for current limits.

Working in Santa Cruz County: earning one's primary source of annual income through employment located within Santa Cruz County, including its four incorporated cities (Santa Cruz, Capitola, Scotts Valley, Watsonville). The Applicant's primary worksite must be within Santa Cruz County. Self-employed Applicants shall provide evidence of their operation of a business located in Santa Cruz County, with local permits or licenses as required, at time of Program application. Applicant or Co-Applicant must have been Working in Santa Cruz County as defined herein for at least sixty (60) days prior to application date. Working in Santa Cruz County does not include volunteer or unpaid work, or self-employment consisting solely of operating a business entity established solely for the purposes of investment in a rental property. Income earned in Santa Cruz County must be verified by applicant's paycheck stubs, tax returns, profit and loss statement and local business license, if self-employed, and/or other documentation described in the application forms.

SECTION B. BUYER ELIGIBILITY CRITERIA

Applicants must meet the following criteria to be eligible to purchase an Affordable Homeownership Unit, either individually as Primary Applicant or Co-Applicant(s), or collectively as a Household, as specified herein:

1. First Time Home Buyer
2. Eligible Household
3. Moderate Income Household (with the exception of certain Low-Income Measure J Homes)
4. Purchase-Ready
5. Living or Working in Santa Cruz County
6. Neighborhood Safety Criteria

The six eligibility criteria terms are defined in Section A of these Guidelines. Applicants must fully document that their Household meets each eligibility requirement by providing all forms of Valid Third-party Documentation requested in the Program application forms.

1. First Time Home Buyer Status

All adults living in the same dwelling unit as the Primary Applicant ("Applicant's Household") at time of application must individually and collectively qualify as a First Time Home Buyer pursuant to the definition provided in Section A of these Guidelines, adapted from Title 25 of the California Code of Regulations §8201(l). First-time home buyer status is verified by each adult's federal and state tax returns, property ownership records, if any, credit reports, and current lease of the Applicant's primary residence. Applicant's Household includes all occupants of their current residence, including any homeowner(s), who would not meet the First Time Home Buyer status requirement and therefore would disqualify the entire Household.

If Applicant resides in an owner-occupied home as a guest or family member of the homeowner, or if any member of Applicant's current household owns any home (residential real property), Applicant and their household shall not be eligible for the Program.

Exceptions to the First Time Buyer requirement:

- **An Applicant or other homeowner** in the household meets one of the exceptions listed in the definition of first-time homebuyer (e.g., displaced homemaker) provided in Section A. For those exceptions which involve current ownership of a home of any kind, including manufactured/mobile homes, the Applicant(s) appearing on title must sell or quitclaim off title to that home prior to closing escrow on the affordable home purchase. Actual or estimated net proceeds of the sale, including any proceeds or interest in the home sold or gifted to another party directly or through quitclaim or other means, are counted toward Applicant's total household assets, and are subject to the Program's asset limits as shown on **Exhibit 2**. Estimated proceeds will be estimated by recent appraisal or other reasonable third-party analysis of recent real estate comparables, subject to review by the County.

- **An Applicant who is renting** a portion of a home as their primary residence, such as one or more bedrooms, or an accessory dwelling unit, whether Applicant is related to the homeowner or not, must submit a copy of their lease for that portion of the home as part of their Affordable Homeownership Unit application, like all other renter applicants; and evidence of payment of rent for the prior six months; and their tax returns to verify that their household is independent of the homeowner's household. Staff may also request evidence that homeowner and/or other occupants of the home not included in Applicant's household will remain in the current home and not move into the Affordable Homeownership Unit with Applicant, such as a copy of the other occupant(s) lease or title to the home or to other housing for the period after Applicant's home purchase.

- **Senior Unit Applicants:** Applicants applying to purchase a Measure J home in an age-restricted housing complex for seniors aged 62 and older (i.e., Vista Prieta or Casa La Familia), are not required to meet the First Time Home Buyer requirement. However, if such applicants own another home at the time of Program application, it must be sold before closing escrow on the Measure J senior unit purchase. Net proceeds from the sale of the home (i.e., net of any outstanding debts secured by the home and usual taxes, sales commission and closing costs) are counted toward Applicant's assets and subject to the applicable asset limits provided in **Exhibit 2**.

- **An Applicant living in an overcrowded situation** with one or more occupants who are not part of Applicant's household, such as housemates or extended family members who are not included in Applicant's Measure J application and will not be moving into the Measure J home with Applicant. Overcrowding is defined as an occupancy greater than the maximum household size limits in the Occupancy Standards table provided in **Exhibit 3**. In such cases, Applicant must be filing taxes separately from the homeowner and/or other household members who are not included in the Measure J application.

- **Gifted property /"estate planning" exemption:** An applicant(s) who has been gifted and currently owns a partial interest in a home which is not their primary residence, if the applicant is willing to quitclaim off title prior to purchase of the affordable home, and is able to sign a written affidavit that he/she has not done any of the following, or any similar actions indicating an active, intentional ownership role, in relation to this home:
  a) Paid money to purchase the home or any interest in the home, as reflected by any purchase and sale agreement or related transfer documents, and/or providing any payment or contribution of funds toward purchase of the home or any partial interest in the home;
  b) Earned rental income or other income of any kind through ownership of the home;
  c) Been named as a borrower, co-signer, or applicant on any loan applications, mortgages or liens against the home, and/or made any mortgage payments or contributions toward any mortgage payments on the home;

d) Claimed an income tax deduction for mortgage interest and/or property tax payments made on this home;
e) Paid any portion of the property taxes on the home at any point time, or filed for a homeowner's exemption at that address; or
f) Within the time period that applicant's name appeared on title: lived in the home and/or listed this address as their home address in any government document (e.g., DMV license or registration, IRS forms or tax returns, school enrollment, etc.).

Applicants qualifying for this gifted property exception to the first-time buyer requirement will be required to quitclaim off title to the gifted home, prior to closing escrow on the affordable home purchase. The value of the Applicant's ownership interest in the home, once quitclaimed to the remaining owners, will not be included in the Applicant's total household assets, unless there is any evidence in the Applicant's application of any actual proceeds realized by the Applicant from the transfer, in which case those proceeds will be included. A written affidavit will be required to document these details. Applicants in this situation and their co-owners are strongly advised to seek advice from a qualified tax professional or attorney about any tax liabilities that may arise due to the quitclaim.

In the case of any of the above exceptions, the Applicant shall provide all documentation requested by the Housing Manager to verify their eligibility for the requested exception and stated household size and composition as claimed on the Affordable Home application. Any fraudulent statements and/or intentional misrepresentation of the facts will be cause for denial of the application and disqualification from the Program.

The Program is intended to provide prospective first-time homebuyer households who could not otherwise afford to buy any home in the County of Santa Cruz, and have demonstrated the ability to rent a dwelling unit and pay all household expenses independently for at least six months, with an opportunity to purchase a home in the County of Santa Cruz.

2. Eligible Household

In order to be determined eligible for the County Affordable Homeownership Program, the Applicant must demonstrate in its application that it is an Eligible Household as defined in Section A and must verify the household composition and other eligibility requirements, as explained further below and in Program application instructions.

Verification of Household Composition:

The Program application requires submittal of Valid Third-Party Documentation, as defined in Section A, to prove that each member of Applicant's Household currently resides and has resided together at the same residential address as their primary residence for at least six months. Documents which show only a post office box as an address are not acceptable for the purpose of verifying an applicant's or household member's primary residence. The documents required are listed in Program application forms. In the event an applicant is not able to provide a particular document, Program staff may agree to accept a legitimate alternative form of Valid Third-Party Documentation, or in the absence of a legitimate alternative, may determine that applicant has not provided sufficient documentation and therefore will not be considered part of the Household. The Housing Manager is authorized to determine what constitutes "legitimate alternative" documentation to substantiate primary residential address or any other eligibility criteria, consistent with these Guidelines.

Only those household members who have adequately verified their membership and residency in the Household will be counted for the purpose of determining the size(s) of Affordable Homeownership Unit (number of bedrooms) the Applicant may purchase, although the income and assets of all household members listed by Applicant on the application form (including any temporary or unverified occupants) must be counted toward the Household's gross income, as explained below. To be considered part of Applicant's household, any children under the age of 18 (including foster children) must be under full or partial (at least 50%) physical custody of Primary Applicant or another Co-Applicant taking title to the Affordable home, as indicated on valid court custody documents and current school registration documents, and/or must be listed as a dependent child on that party's tax returns.

3. Moderate Income Household

In order to purchase an Affordable Homeownership Unit, an Applicant's household must qualify as a Moderate-Income Household, which means that the total combined income and assets of all adult household members does not exceed the Program's income and asset limits, provided in **Exhibit 2** to these Guidelines. The County uses HCD's "Moderate Income Limits" as the household income limit for the Affordable Homeownership Program, unless the home was designated as a Low or Very Low income unit in the project's Participation Agreement, in which case the applicable lower-income limits are used for applicants to purchase those units. Moderate income is defined as a Gross Household Income that does not exceed one hundred twenty percent (120%) of the Area Median Income (AMI) for Santa Cruz County, adjusted for household size, computed using the Part5 method provided as **Exhibit 2.** Income earned (or imputed) from assets, such as dividends, interest, rental income, etc., is included in the household's annual income pursuant to the Part 5 method. These income limits are generally updated by HCD on an annual basis. The Program income limits are updated annually on the County's website shortly after HCD publishes the latest State Income Limits. Applicants must meet the applicable income limits in effect on the date of their application to purchase.

Asset Limits

In addition to meeting the income limits, the household's assets may not exceed the Program's asset limits provided in **Exhibit 2**. Assets held in IRS-recognized retirement accounts (401(k), 457 Plan, 403(b), IRA, etc.), up to the limits shown in **Exhibit 2**, are not included for the purpose of determining whether an Applicant meets the Program's asset limits. Total household assets, excluding retirement accounts, are compared to the asset limits using a three-month average of the

Household's total assets according to monthly statements and/or other valuations for each of the three months prior to application date. The monthly average is used to avoid Applicant "asset dumping" (asset liquidation or transfer to other parties) just prior to Program application, in order to meet the asset limits. If an applicant has transferred a home, mobile home, or other property to another party within the prior six months but earlier than the prior three months, the Administering Agency may request up to three additional months of asset statements to cover the period in which the transfer occurred. In such cases, the average monthly assets over that longer time period will be subject to the applicable asset limits.

4. Purchase-Ready

Applicant must be Purchase-Ready at the time they apply, as follows:

a) Mortgage Qualification: Applicant must provide a current loan pre-qualification letter from a conventional residential lender for a thirty-year, fixed-rate mortgage in an amount equal to at least 70% of the Affordable home price, which also meets the financing requirements described in Section E, and be able to obtain final approval for such loan by close of escrow. *Exceptions:* Applicants purchasing a home restricted to occupancy by seniors ("Senior Unit Applicants") and/or permanently disabled applicants who are the beneficiary of a special needs trust may use a mortgage of less than 70% of the purchase price, or all cash, to purchase the home, however they are still required to provide a credit report in their application, and are subject to applicable asset limits in Exhibit 2.

b) Down Payment: Sufficient savings available for a down payment of at least three percent (3%) of the home price, plus closing costs, which are typically approximately three percent (3%) of the home price (collectively, "Down Payment"). Gift funds may be used to provide not more than 50% of Applicant's total Down Payment, or 10% of the Affordable home price, whichever is less. Any gift funds must be documented in the Program application with a gift letter and all Down Payment funds must be "seasoned" for at least sixty days, as described further in the Program application form. Program approval to purchase will be conditioned upon Applicant's deposit of Down Payment in the amount stated in the Application to Purchase into escrow by the closing date noted in the purchase contract. If lender requires a higher down payment, Applicant must meet that requirement as stated in the loan pre-qualification letter. Applicant may also use public or non-profit sector down payment assistance programs, such as closing cost grants from the association of realtors, CalHFA programs, etc., provided that they do not conflict with the Affordable Home Program restrictions and applicant provides a preapproval or commitment letter for the assistance in their Program application.

c) Credit Score/History: Credit score(s) of 620 or higher, and no bankruptcies or foreclosures within three years prior to application date. Lenders may require higher scores or higher standards regarding credit history.

d) Homebuyer Education: Primary applicant must have taken a HUD-certified home buyer course. Various online and in-person, HUD-approved home buyer education providers are listed in **Exhibit 4** to these Guidelines. Course must be completed prior to close of escrow on an Affordable Homeownership Unit.

All Purchase-Ready requirements must be fully documented as described in Application form. If any co-Applicant(s), due to their poor credit history or low credit score, would adversely affect Primary Applicant's ability to qualify for a mortgage, such co-Applicant may be exempted from the requirement to jointly apply for the first mortgage as a borrower, however such co-Applicant must take joint title to the home with Applicant upon close of escrow. Co-Applicants who are listed as financial dependents of Primary Applicant, or of another co-Applicant included as borrower on the loan, on such Applicant's tax returns need not be listed as borrowers on the loan application, nor take title to the home (unless desired by Applicant), except that any spouses or domestic partners of Primary Applicant listed as a dependent on Primary Applicant's tax returns are required to take title jointly, either as community property or joint tenant.

5. Live or Work in Santa Cruz County

In order to purchase a Measure J home, Applicant must qualify as a household that is either Living in Santa Cruz County and/or Working in Santa Cruz County, both as defined in Section A of these Guidelines. This status must be in effect for at least sixty days prior to Applicant's submittal of a Program eligibility application. Applicants to purchase Measure J units restricted for occupancy to applicants aged 62 or older (i.e., Vista Prieta, Casa la Familia) may request a waiver of this live/work requirement if the unit has been actively marketed on the MLS for at least 90 days prior to seller's acceptance of an offer from an Applicant who does not meet the live or work requirement.

6. Neighborhood Safety Criteria

Adults convicted of serious felonies within the last seven (7) years, including violent acts and controlled substance-related felonies, are not eligible to purchase or reside in an Affordable Homeownership Unit. The list of disqualifying felony convictions is in Penal Code Section 11105.03(b)(1), as amended from time to time, which pertains to screening criteria for public housing authorities. The County follows the procedures set forth in Penal Code Section 11105.03, as relevant, except it uses a private company(s) for criminal background checks. All adult applicants, co-applicants, and any other adult household members shall pay for and obtain the background check from a list of County-approved providers in order to complete the County Application for Homebuyers.

SECTION C. APPLICATION PROCESS

The steps of the homebuyer application process are described in this Section. Housing staff is bilingual in English/Spanish, and customer service in other languages may be requested through the County's bilingual staff directory. Bilingual services are available for the purpose of explaining County housing programs and providing general customer service to Program applicants and participants. Applicants must obtain their own translators, if needed, for the purpose of negotiating real estate transactions, applying for a loan, etc., consistent with State law. Disabled applicants requiring accessibility accommodations in order to apply may request assistance by contacting Housing staff. A TDD line is available (711).

Detailed application instructions are provided in the Homebuyer Eligibility Application, available only after a purchase contract has been signed from Housing staff by email to HousingProgramsInfo@santacruzcounty.us. The Eligibility Application is submitted to the Housing Authority with the Eligibility Verification fee payable to the Housing Authority (see Exhibit 5 for current fee amount). The Housing Authority determines if Applicant's household is at or below the moderate-income limits, to verify household size, to determine the eligible home size(s) for which the household qualifies, and whether Applicant meetsthe first-time homebuyer and other eligibility criteria stated in Section B of these Guidelines. If Applicant is determined eligible, they submit an Application to Purchase, along with the Underwriting Fee to the County Housing Division, after receiving an Eligibility Letter from the Housing Authority. The Application to Purchase determines that proposed financing and other purchase transaction details meet Program requirements, such as the maximum sales price, and affordability and financing standards in Section E.

Administrative Fees are listed in **Exhibit 5** of these Guidelines. Applicants submit an application with the application fee only after an offer has been submitted and accepted, with a contingency clause for County approval. However, in some cases as explained below, the County may solicit a limited number of Eligibility Applications during a certain time period, with the Application to Purchase to follow only once it is clear which applicant will be purchasing which available home.

The steps required to purchase an Affordable home are explained below:

1. Receive program outreach materials and/or attend a Home Buyer presentation

The County provides various Program outreach materials online and presentations occasionally to help prospective buyers determine if an Affordable home is right for them, and whether they might qualify. Applicants should review these materials and/or attend a presentation, when available, to determine if they are interested in the Program and likely to qualify.

2. Identify an available Affordable Home

Affordable homes are listed for sale through the Multiple Listing Service (MLS) and/or on the Affordable home listings page of the County's website (see link below). When a new project is developed, Housing staff will work with the developer to provide outreach to prospective buyers within the final year of construction, and hold random drawings, if needed. The intent of the random drawings is to provide a fair way of selecting buyers from among many interested and potentially eligible households.

3. Obtain Pre-qualification for a first mortgage loan

Applicant(s) must obtain a pre-qualification letter for a thirty-year, fixed-rate first mortgage from a financial institution or lender providing conventional, residential mortgages. The letter must state the maximum amount Applicant could borrow in a conventional first mortgage that meets the loan requirements explained in Section E, and the amount of down payment required by lender. All adult Applicants must be named on the pre-qualification letter and must take joint title to the home, unless Program staff has granted an exception for one or more adults, as described in Section B. *Exceptions:* Applicants purchasing an age-restricted senior unit and/or beneficiaries of a special needs trust proposing to purchase the home with no mortgage (i.e., all cash) are exempt from the requirement to obtain a mortgage pre-qualification letter.

4. Select an Affordable Home and sign offer to purchase

A prospective applicant must use a licensed real estate agent who will submit an offer on an available affordable home within the size range appropriate for their household size. Dual representation (agency) is not allowed under the Affordable Housing Program. Dual representation (agency) is not allowed under the Affordable Housing Program. Dual agency is when a single real estate agent represents both the buyer and the seller in a real estate transaction. Seller must include a contingency clause in the contract for County approval of the potential buyer. Applicant shall provide Seller with a copy of applicant's eligibility verification letter from Housing Authority prior to Seller releasing the County approval contingency on the contract.

5. Submit Eligibility Application, with accepted purchase contract, fee, and required attachments, **to Housing Authority**

The County has an MOU with the Housing Authority to provide eligibility screening for its affordable homeownership programs. The Housing Authority will review application and provide Applicant with a letter verifying their eligibility or ineligibility pursuant to the criteria in these Guidelines. Applicants determined ineligible may appeal to the County Housing Division, as explained in Section D, below. Applicants determined eligible may proceed to the next step.

Applicants determined ineligible may reapply six months after receipt of the Program eligibility determination letter, if they believe their circumstances related to the reason for ineligibility have changed (i.e., significant changes in income, assets, household composition, credit score, down payment funds, etc.). In that case applicants must submit an entirely new complete application and pay the fee again. Each application must verify that Applicant meets all eligibility criteria at the time of submittal, independently of any verification provided in prior application(s).

Applicants wishing to appeal an eligibility determination may do so in accordance with the appeal procedure described in Section E. Applicants that have made fraudulent statements or intentionally misrepresented facts in any application shall be permanently ineligible for the Program.

6. Submit Application to Purchase, with copy of Eligibility Letter, to County

Applicant completes and submits Application to Purchase form with required attachments and Underwriting Fee to the County Housing Division. Attachments include a copy of the eligibility letter, purchase contract, loan application and approval, inspection reports, and other documents listed on the Application to Purchase form.

7. Application to Purchase approved or denied by County

County Housing staff will review the Application to Purchase to verify that the terms of the purchase contract, proposed financing and/or down payment, and associated application contents meet all program requirements, and that Applicant's household remains eligible, prior to issuing escrow instructions.

8. Attend Home Buyer Education Class

Applicants must complete a HUD-approved home buyer education class prior to closing escrow on an Affordable home. This is to ensure that the buyer fully understands the process of home buying, the various options available in selecting a home and a loan, and the potential consequences of each decision. A list of HUD-approved home buyer classes is provided in **Exhibit 4**. Online and in-person classes are available. Most classes provide a certificate of completion to attendees. Applicants shall include this certificate, or equivalent written verification from the provider, with their Application to Purchase. Applicants shall also make an appointment with County staff to review all Affordable home buyer disclosures and agreements after being determined eligible for the Program.

9. Final Approval to Close Escrow

Final approval is provided after the Applicant and Applicant's Lender complete the Application to Purchase by providing copies of Applicant's first mortgage loan application forms, evidence of required property insurance coverage and certificate showing County as additional insured, required lending and settlement disclosures from the lender, and conditional approval of first mortgage and any junior loans. If proposed financing does not meet the Program's financing requirements (Section E) as applicable, application will be denied until/unless Applicant can secure adequate financing, or loan terms are adjusted by Lender before the loan contingency must be released under the Purchase Contract. This amount may be adjusted prior to close of escrow if the first lender subsequently changes the amount of the first loan, or buyer obtains additional down payment funds from any source to the extent possible within Program gift limits. Buyer shall attend a disclosure meeting with County staff to review Program restrictions and recordable documents before the County will issue its final approval. The County will provide its final closing conditions, instructions and recordable documents to escrow following the disclosure meeting. The first lender (and any approved junior lenders) will provide final loan approval, buyer will deposit any outstanding down payment funds into escrow, and lender will fund the first mortgage loan. Escrow officer will record deed and other recordable documents and close escrow. Applicant is now a Measure J homeowner.

SECTION D. PROGRAM ADMINISTRATION

The Housing Division of the Planning Department is authorized to administer the Affordable Housing Program and to establish, maintain, and modify periodically as needed, a reasonable application process to solicit prospective buyers and determine the eligibility or ineligibility of applicants based on information provided in applications and/or obtained from third parties authorized to release such information, as provided in Program application and release forms. A summary of administrative procedures is provided below. Some of these procedures may be described in more detail in administrative documents maintained by Program staff, available upon request.

1. Public Outreach and Marketing
2. Application Review and Determination of Eligibility
3. Exceptions and Appeals

1. Public Outreach and Marketing

Outreach and Marketing

Program staff provides Program information online, via email and print brochures, and at various public presentations and seminars. County staff provides outreach about the Program in general, but does not provide marketing services for individual home sale listings, other than posting current listings of units for sale on the Program's webpage on the County website. Any marketing services needed for individual home listings shall be provided by the seller's licensed real estate agent.

Interest List

Program staff maintains an interest list of prospective buyers and other interested parties to distribute current information about Affordable home listings and other affordable housing opportunities. The interest list is the primary means of providing interested parties with current Affordable home listings. Anyone wishing to receive such notices may sign up to be on the interest list by emailing Housing staff at: HousingProgramsInfo@santacruzcounty.us. Email is the primary form of communication with those on the list, however persons unable to use email due to disabilities or other hardships may request another form of notification, such as phone or mail, subject to staffing and budget limitations.

Program announcements are generally sent to those on the interest list when a random drawing is opening up for new home sales. Persons on the list should check the County listings page weekly for new listings, and are responsible for notifying Program staff if/when their email address or primary contact information has changed. The interest list is not a waiting list, and it does not provide any priority, preferences, eligibility, or any other special status or rights to anyone on the list. Being on the interest list does not provide any party with any rights to or interests in an Affordable Homeownership Unit in particular or in general, or to any other Measure J program benefits. Staff will notify those on the interest list periodically when a significant number of new or resale Affordable Homeownership Units become available for sale and/or a new random drawing is opening, or waiting list for a new development is being created.

Upon receipt of such notices, prospective applicants may submit applications according to the instructions in the email notice, listings page, application forms, and these Guidelines. Applications are reviewed in the order in which they are received and determined complete. Those applicants deemed eligible may proceed with the remainder of the application process as described in Section C.

Ranked Lists

Currently the Housing Division does not maintain a waiting list for Affordable Homeownership Units. However, Program staff may establish a ranked list for new developments or units being marketed directly by the County, such as if the County has exercised its option to purchase a unit, or for County-owned units. The Housing Manager shall determine if and when a ranked list should be established by random drawing or other fair method deemed appropriate. A preliminary (self-certified) application process may be used solely for entry into the random drawing, to be followed by the standard application process described in Section E, for those at the top of the list.

2. Application Review and Determination of Eligibility

The Administering Agency and/or Housing Authority, as applicable, will accept and review applications for completeness upon receipt. Incomplete applications will be returned to the applicant with instructions for completion. Upon determination of completeness, staff will determine applicant's eligibility based on the contents of the application.

Determination of Affordable Homeownership Unit Size

The Program's Occupancy Standards provided in **Exhibit 3** set forth the minimum and maximum number of bedrooms allowed by household size. These standards are applied to each Applicant with consideration of the age, gender, and familial relationships, if any, of the actual household members as listed in Applicant's Eligibility Application, in order to determine the size of Affordable Homeownership Unit that Applicant may purchase.

Families of the appropriate size shall occupy units. The following principles govern the size of the unit for which a family will qualify. Generally, two people are expected to share each bedroom, except that units will be so assigned that:

- It will not be necessary for persons of different generations or opposite sex to share a bedroom, although they may do so at the request of the family.
- Couples of any kind (married, domestic partner, or unmarried couple) qualify for one bedroom.
- Exceptions to the largest permissible unit size may be made in case of reasonable accommodations for people with disabilities.
- An unborn child will not be counted as a person in determining unit size.
- A single head of household parent shall not be required to share a bedroom with their child, although they may do so at the request of the family.

- A live-in-aide shall be assigned a bedroom, unless the disabled or elderly family agrees to accept a smaller unit.

An Applicant may qualify for a range of home sizes (i.e., a five-person household might qualify for homes of 2-4 bedrooms), or just one size (i.e., a single adult household of one will only qualify for a 1-bedroom). Larger homes are generally priced higher than smaller homes, therefore Applicant must also verify that they can afford the price of the Affordable Homeownership Unit they wish to purchase, in addition to meeting the Occupancy Standards.

3. Exceptions and Appeals

Exception Requests

Any applicant believing that their situation warrants an exception to any part of these guidelines due to circumstances outside of their Household's control, such as a disability, special needs, or other hardships or special circumstances, may request an exception by submitting a written letter to the Housing Manager prior to submitting an application of any kind. The exception request must specify which particular guideline or requirement the Household cannot meet for reasons beyond their control or other valid reasons, and/or describe the Household's unique circumstances which warrant one or more specific exceptions to be identified in the letter, referencing the page(s) and section(s) of these Guidelines and/or application form related to the request. Exceptions to the Program's Moderate-Income Household requirement are not granted, in order to comply with the Ordinance.

If the need for an exception arises while an application is being reviewed, a request may be submitted at such time. If the need for an exception arises only after receipt of a determination letter issued by Program staff, it shall be submitted as an appeal of such determination, according to the appeal process described below.

Exceptions related to disabilities (reasonable accommodations) may be requested according to this procedure, with a brief description of the exception(s) needed due to the Applicant's disability and will be handled in accordance with the County's reasonable accommodations policy and these Guidelines.

The County Housing Manager will consider the requested exception and will provide a letter response within 10 calendar days, stating if the requested exception can be granted in full or part and the reason for such decision. The Housing Manager may approve or deny such request. If denied, Applicants may submit an appeal of such denial to the Planning Director, as explained below.

Appeals Procedure

Applicants may appeal any determination letter, including denial of a requested exception, by providing a written explanation of the reasons for their appeal, and any supporting evidence they wish to provide. The appeal letter must be delivered to the Housing Manager by mail or personal delivery within ten calendar days of the date of the determination letter being appealed. County staff will not assist applicants in drafting appeal letters, nor in determining appropriate grounds for appeal or appropriate forms of supporting evidence, beyond advising them of the contents of these Guidelines, application forms, and other published Program materials. Applicants may refer to these Guidelines and application forms, and/or seek their own counsel for guidance in determining what documentation would be reasonable. The Planning Director shall review the appeal letter and issue a final determination within thirty calendar days or less of receipt. Appeal to the Planning Director is the final administrative appeal.

Unless appellant opened escrow to purchase an Affordable home prior to submittal of an appeal letter, no Affordable home will be held or reserved for Applicant while an appeal is being considered, and offers from other prospective buyers may be accepted by Seller(s) of Affordable home(s) during this time. If appellant is in escrow to purchase an Affordable Homeownership unit County shall not issue any escrow instructions until the Director has made a final determination regarding the appeal, other than to inform the escrow officer that they may not close until further written notice from the County.

Upon the Director's determination of the appeal, Program staff shall proceed to either approve closing (if appeal was granted) or inform escrow that Applicant has been denied approval to purchase and buyer may not close on that home. County shall not be responsible for any actions of seller, lender, or other parties regarding the escrow during the appeal period which may jeopardize buyer's ability to purchase the Affordable Homeownership Unit.

SECTION E. AFFORDABLE HOMEOWNERSHIP FINANCING AND AFFORDABILITY STANDARDS

This section sets forth the Program's underwriting standards related to affordability and risk mitigation, as well as financing requirements. Certain requirements apply to any loans or encumbrances against an Affordable Homeownership Unit during the entire term of restrictions, while some requirements apply at the point of initial purchase, and other prohibitions and/or requirements apply only to refinancing.

1. Affordability Standards

Housing is considered affordable, according to most public-sector housing agencies, including the County Housing Division, HCD, and HUD, when total monthly housing costs do not exceed approximately 30% of a household's gross monthly income. This ratio varies slightly depending on whether the home is owned or rented, and on the household's income level. These affordability standards apply at time of home purchase and upon any proposed refinancing.

The Measure J Program affordability standards, used to review proposed home financing for affordability and risk avoidance, are shown on the table below:

	Maximum Percentage of Monthly Gross Income	
Income Level	**Monthly Housing Cost** *(Front Ratio)*	**Total Monthly Debt** *(Back Ratio)*
Very Low	30%	45%
Low	35%	45%
Moderate	40%	50%

These standards show the maximum amounts home buyers can spend on monthly housing costs ("front ratio") and monthly debt ("back ratio) in order to qualify to buy an Affordable Homeownership Unit. The buyer's actual income level determines which front ratio applies, not the income level used to set the price for the Affordable Homeownership Unit, which may be slightly different than buyer's actual income level. Program staff will determine buyer's actual income level upon completing review of their application. Lenders may use a slightly different definition of “front ratio” for their own underwriting purposes.

The Program includes the expenses listed below to determine a buyer’s monthly housing costs. The amount of each cost item is based on information provided in the buyer’s application to purchase, including information provided by lender, and/or estimates based on customary costs for the area.

- Monthly principal and interest payments on first mortgage and any other mortgage/home financing with monthly payments due;
- Property taxes;
- Homeowner’s association dues (may include some or a portion of homeowner’s property insurance and/or utilities);
- Homeowner’s insurance (for condominiums: at a minimum fire/hazard insurance for contents/interiors, and personal liability; for single family: standard homeowner’s policy)

The total monthly debt, or “back ratio”, includes monthly housing cost plus any other monthly debt payments, such as car loans, student loans, child support/alimony, credit card or other personal loan debt, outstanding medical debts, etc. that appear on Applicant’s credit report, loan application and/or Program application. Regular monthly expenses that have not yet been incurred (i.e., regular monthly childcare or health care expenses, food, utilities, etc. for current or future months) are not debt, and therefore are not included in the back ratio.

2. Financing Requirements

a) General Requirements

The following general financing requirements apply to all Affordable Homeownership Units:

i. No mortgage or other residential loan secured by an Affordable Homeownership Unit (including home equity loans or lines of credit, etc.) may include any of the following terms or rates:
   - Prepayment penalty
   - Balloon payments
   - Negative amortization (such as interest-only payments, etc.)
   - Adjustable and/or non-prime (predatory) interest rates

ii. Home equity lines of credit (HELOCs) and hard money loans are prohibited.

iii. “Co-signers” (those <u>not</u> included as a Co-Applicant, or in the case of refinances, on title to Affordable Homeownership Unit) are not allowed on any loan secured by an Affordable Homeownership Unit.

iv. Borrower's front and back ratios may not exceed the limits set forth above in the Affordability Standards subsection, using the ratios corresponding to the borrower's actual income level at time of loan application.

v. All first mortgage loans must be provided by a conventional residential lender with an active mortgage broker or lending license to do residential lending in California, with standard underwriting and loan servicing capabilities. This includes credit unions licensed to issue mortgages in California, as well as for-profit banks, lending institutions and mortgage brokers.

vi. First mortgage (both purchase money and refinance loans) must include impounds for property taxes and property insurance.

b) Purchase Money Financing

In addition to the requirements listed above, the following requirements apply to loans used to purchase an Affordable Homeownership Unit ("Purchase Money" financing):

i. **Applicant(s)** must buy the home using a first mortgage loan equal to at least 70% and not more than 97% of the contract sales price. The first mortgage must be a 30-year, fixed interest rate, fully amortized loan issued by a conventional residential lender as described above. Private-party, family member, or seller/agent loans, gifts, etc. may not be used in full or part as a substitute for a first mortgage equal to at least 70% of the home price. **Exceptions:** Applicants purchasing a home restricted to occupancy by seniors ("Senior Unit Applicants") and/or permanently disabled applicants who are the beneficiary of a special needs trust are exempt from the requirement to qualify for and/or use a conventional mortgage to purchase the home. However, they are still required to provide a credit report in their application to purchase the home, they are subject to the asset limits in Exhibit 2, and they must have sufficient monthly income to cover all other monthly housing costs (i.e., property taxes, property insurance, HOA dues, utilities) within the allowable front ratio for their income level as noted above.

ii. Public sector and/or non-profit loans or grants may be used (FHA, Cal-HFA, VA, etc.) for any combination of the following: first mortgage, junior financing, down payment "silent second" loans, closing cost assistance, etc., provided that the lender agrees to lend on an Affordable Homeownership Unit, and has approved the Program agreements and recordable documents used to secure the Measure J restrictions.

iii. Combined Loan to Value (CLTV) ratio of all loans used to purchase the home, combined, including any junior financing described in subsection (ii) above, may not exceed 97% of the approved Measure J contract sales price, as shown on the County's escrow instructions, executed purchase contract, and final settlement statement.

iv. Any loans requiring repayment that are secured by a deed of trust against the Affordable Homeownership Unit, including non-profit or public sector "soft loans", whether deferred or forgivable in full or in part, are considered loans, not grants. Such loans are included in the CLTV and subject to the 97% limit on CLTV. Actual bona fide grants and/or gifts (no deed of trust and no repayment due) are not included in the 97% CLTV limit.

c) Refinancing Requirements

Refinance loans must comply with the General Requirements listed above, in addition to the following, unless the property-specific recorded restrictions have more specific requirements, in which case the terms of the recorded restrictions will prevail:

i. At time of refinancing, the CLTV, including the proposed refinance loan plus any other debts secured by the property that will remain outstanding post-refinance, may not exceed 90% of the Affordable Homeownership Unit's then-current Maximum Resale Price, or current appraised value, whichever is less. Refinance loans may have a term of less than 30 years, as long as the front and back ratios can be met with the proposed loan. Secured debts included in the CLTV ratio include junior financing, lines of credit, as well as any tax liens, court judgements, etc. secured by the home. If homeowner has recently purchased the home and put less than 10% down, homeowner will need to have paid down some amount of principal prior to refinancing in order to meet the 90% CLTV refinance limit.

ii. Homeowners must obtain the County's written approval to refinance prior to refinancing or encumbering their Affordable Homeownership Unit with any new debt after their purchase of the home. To obtain County approval, homeowners must complete and submit a Refinance Application, available at the link below, with the refinance fee. Submittal of the refinance application and fee does not guarantee approval of the homeowner's proposed loan. The fee is non-refundable once paid, whether the refinance is approved by the County or not.

iii. Refinancing includes refinancing any outstanding mortgages or loans on the home, taking out a new loan (junior loan, home equity line of credit, second or third mortgage, reverse mortgage, personal loan, etc.) to be secured by the home, and/or otherwise encumbering the home with any lien.

iv. All proposed refinance loans must meet all of the Financing Requirements listed in subsection 2, which prohibit terms such as negative amortization, adjustable interest rates, balloon payments, and lines of credit, except that refinance loan term may be less than 30 years, if front and back ratios are met.

v. **Limitations on "cash-out" refinancing**: Cash-out loans include any refinance where the principal amount of the proposed new loan exceeds the outstanding principal balance of the existing loan(s) to be paid off by the new loan (which may include any junior loans secured by the home) by more than **3% or $10,000**, whichever is greater (to allow for reasonable loan fees and closing costs), and/or more than $1,000 in proceeds of the new loan are to be disbursed to borrower at closing. The County will only approve cash-out refinances under the following limited scenarios:

1. For the purpose of paying for home repairs or rehabilitation needed to correct health and safety code deficiencies in the home when homeowner does not have adequate assets or income to pay for the required repairs; or
2. To address other hardship scenario due to forces outside the homeowner's control which could not be resolved in any manner other than the cash-out refinance, and puts the home at risk of loss to the Program, subject to the review and approval of the Housing Manager, at their sole discretion.

In either case, the homeowner shall include adequate documentation of the need for a cash-out refinance as may be requested by the Housing Manager as part of the Refinance Application. The County will review and decide whether to approve the proposed loan as part of the standard Refinance review process, at the County's sole discretion.

vi. The County recorded restrictions will not be subordinated to cash-out (non-purchase money) loans or to any loan not meeting the requirements of these Guidelines.

vii. If any County loans, including those provided by the former Redevelopment Agency (RDA), are outstanding on the home at the time of a proposed refinance, the terms and restrictions of that loan program will also apply, and repayment of the County loan may be required as part of the refinance in some cases.

Homeowners are strongly encouraged to contact Housing staff for current Program refinancing requirements prior to paying any loan application fees, credit check fees, or other non-refundable fees, to find out whether their desired refinancing is allowable on an Affordable Homeownership Unit. Current information on Affordable home refinance approval procedures, forms, timelines and fees is available on the Housing webpage at:

http://www.sccoplanning.com/PlanningHome/Housing/MeasureJAffordableHousingProgram.aspx

Lenders, appraisers, and escrow officers are also encouraged to review this information whenever handling a proposed Affordable Homeownership Unit financing transaction.

SECTION F. LONG-TERM OWNERSHIP AND OCCUPANCY REQUIREMENTS

Once a homebuyer has purchased an Affordable Homeownership Unit, they must comply with the requirements of these Guidelines, the Ordinance, the Measure J Program's "Declaration of Affordable Housing Restrictions and Lien" (the Restrictions) and associated Program documents recorded against their home, as long as they own and/or reside in the home. Upon resale, the new buyer will be subject to the same terms.

The Restrictions, associated documents, and disclosure summarizing these requirements are provided to all buyers for review prior to purchase. This section provides a brief summary of the long-term Program requirements contained in the Restrictions. In case of any difference between these Guidelines and the buyer's recorded Measure J Restrictions, these Guidelines shall prevail unless the Ordinance or operation of law requires otherwise.

1. Term of Restrictions.

Affordable Homeownership Units are restricted as such for "the life of the unit", sometimes referred to as in perpetuity. This restriction runs with the land and is binding on all subsequent buyers or successors in interest to the unit.

2. Primary Residence & Owner Occupancy

Within 30 days of close of escrow, Applicant and their entire household ("Homeowner") must move into and establish the Affordable Homeownership Unit as their primary residence. Homeowner and all co-owners listed on title must occupy the Affordable Homeownership Unit as their primary residence until the home is sold or the owner in question is removed from title. Children aged less than 18 years and any adult household members not on title are not subject to this requirement.

Primary residence consists of residing in the home (and <u>not</u> residing in any other home) for at least ten months of each calendar year. Exceptions for individual homeowners can be requested in case of hardship, such as illness/special needs requiring extended stays in health care facilities, or active duty military service, pursuant to the exception procedures in Section E of these Guidelines. Exceptions apply to the individual involved, not the entire household. If the entire household needs or wants to move permanently from the home with no definite date of return, it must be sold pursuant to the Restrictions and these Guidelines.

Homeowner must maintain a homeowner's property tax exemption on the Affordable Homeownership Unit, and may not claim a homeowner's exemption on any other home, for the duration of their ownership of the Affordable Homeownership Unit. If Homeowner fails to maintain a homeowner's property tax exemption for the Affordable Homeownership Unit, the home will no longer be considered their primary place of residence for Program compliance monitoring purposes.

Should Homeowner or any Co-owner cease to occupy the unit and/or be removed from title, any remaining owner, heir or occupant should notify the Housing Division immediately in writing. Program staff will inform the notifying party about their options for maintaining, transferring, or selling the home in compliance with Program requirements.

3. Annual Certification of Owner Occupancy

Homeowners must provide the County with an annual written certification that they continue to occupy their home as their primary residence, with Valid Third-Party Documentation (such as property tax statement, utility bill, etc.) of such occupancy. Program staff will provide Homeowners with a certification form annually for Homeowner to complete and submit to the Housing Division. The County may request additional documentation from the owner(s) if needed to verify primary residency in the home. In the event Program staff fails to provide any Homeowner with the certification form in a given year, Homeowners are still required to provide written verification of their occupancy on an annual basis, using the form provided by the County in a prior year, or by writing a letter to the Housing Division, Attention: Housing Manager.

4. Rental of Measure J Homes

Homeowners may not rent out the home or any portion of it to any party without the County's prior written approval. Occupants staying in the home as guest of owner (i.e., for no compensation whatsoever) may not substitute for Homeowner(s)' required occupancy and primary residence in the home. Total occupancy of the Measure J home may not exceed the maximum provided in the Occupancy Standards (**Exhibit 3**) at any time. Live-in aides required for the Homeowner or any member of their household due to disability or medical need are allowed and are not considered tenants.

In the event of a hardship (involuntary event) requiring Homeowner to move for a certain time period, and Homeowner is unable to sell the home without incurring a loss, or Homeowner wishes to return and re-occupy the home as their primary residence, they may request County approval to rent out the home for up to one year, subject to the applicable Measure J Program Low Income Rent Limit. Homeowner must obtain the County's prior written approval prior to renting out the Measure J home, pursuant to the exception procedures in Section D. If the exception is granted by the County, the approval letter will inform the Homeowner of the applicable rent limit and any associated requirements. Homes previously converted to "Investor-Owner" status, with County approval as evidenced by a recorded Measure J Investor-Owner restriction, may continue to operate as rentals until the home is sold to a new buyer, provided that Investor-Owner and Tenant comply with all applicable guidelines of the Measure J Rental Program, including annual monitoring requirements and verification of tenant eligibility for the unit. See Measure J Rental Guidelines for further details.

5. Unauthorized Sale or Transfer of Home Prohibited

Homeowner shall not sell, or add or remove any parties from title, or otherwise transfer any ownership in the home to or from any party, or into a trust of any kind, without the County's prior written approval. Some types of transfers are prohibited, as noted in the Restrictions. Certain types of transfers are exempt from this approval requirement, such as in cases of marriage, divorce, or death of a Homeowner (for certain types of heirs only), as set forth in more detail in the Restrictions. Homeowners are strongly encouraged to contact Program staff in case of any desired or necessary transfer, for assistance in determining whether the proposed Transfer is allowable or prohibited, and to obtain written County approval if required. Transfers include selling the home outright to another party, adding or removing any party from title to the home, placing title into a trust, refinancing, or leasing the home.

6. Resale Procedures

Homeowners wishing to sell their Measure J home shall complete and submit the “Notice of Intent to Sell” (NIS) form, available upon request, to the Housing Division. Certain versions of the Restrictions provide the County with a first right of refusal to purchase the home for the then-current Measure J purchase price. Upon receipt of a completed NIS form, Program staff will notify Homeowner of the current maximum Measure J resale price limit for the home, whether the County will exercise its first right of refusal, if applicable, and related resale procedures. If County decides not to exercise its first right of refusal, it will post the listing on the Measure J webpage and share it via email with the Measure J interest list. The Homeowner may also list the home with a realtor and place the listing on the MLS.

Once Homeowner has identified a prospective buyer, Homeowner shall refer such buyer to the Program staff for application instructions and eligibility certification. If the initial buyer(s) are not eligible, Homeowner shall continue to refer prospective buyers until one is determined eligible. The first buyer to be determined eligible by Program staff, and to have their offer accepted by Homeowner, shall complete the remainder of the standard application and purchase procedures described in Section C. The Buyer will sign a new Restriction and related documents to be recorded against the home at closing. The Seller will receive any proceeds due from close of escrow as in a standard sale, except that the home price shall not exceed the then-current maximum Measure J resale price as determined by Program staff.

7. Maintenance of Home

Homeowner is required to maintain the home in a decent, safe and sanitary condition, free of hazards, code violations, and nuisances, in compliance with the Restrictions, any trust deeds, homeowners’ association covenants, if any, the Santa Cruz County Code, and other applicable health and safety codes and laws. The home may not be used for any non-residential use, or as a vacation home, vacation rental, or any use other than as Homeowner’s primary residence. Homeowner may operate a home-based business in the home if licensed and permitted by the County as required, only if the business is ancillary to use of the home as Homeowner’s primary residence.

Homeowner must pay any and all assessments levied against the home when due, including homeowners’ association dues and special assessments, property taxes, parcel taxes, special district assessments, etc., just as any other property owner must pay such taxes and assessments. The Measure J program does not provide Homeowner any protection, exemption, waiver, or reduction of any such taxes, fees or assessments legally charged to Homeowner. Homeowner must adequately budget for such expenses like any other homeowner.

8. Development of ADU and/or Junior ADU (J/ADU): If a homeowner would like to develop a J/ADU on the Affordable Unit property, several approvals are required:

a) **HOA Approval**: If the affordable home is within a common interest development with a homeowners association (HOA), the owner must contact their HOA to request a copy of the HOA's written standards for J/ADU development, and obtain written permission for the proposed ADU or JADU. A copy of these documents shall be provided to the Planning Department;

b) **County Planning/Building Permits**: Homeowner will be required to obtain a building permit and any related County permits (e.g., grading, etc.) that are required for the proposed J/ADU; and

c) **Administering Agency Approval:** Requires documentation of Homeowner's receipt of items a) and b) above, and homeowner's execution and recording of a J/ADU amendment to the Homeowner's current affordable housing deed restriction, in a form provided by the Agency. This amendment will require that the J/ADU be rented to a low-income tenant and/or occupied by an extended family member or dependent of the Homeowner(s), and will subject the J/ADU to the low-income rent limits provided in Exhibit 3 to these Guidelines. J/ADUs that increase the total number of permitted bedrooms on the property will be eligible for a maximum resale price calculation based on the new total number of bedrooms. Other than that adjustment, the home's resale price will not be increased due to the cost of developing the ADU or any potential increased value attributed to the J/ADU. Any costs associated with developing a conversion J/ADU will not be eligible for increasing the home's resale price.

9. Default and/or Foreclosure

If a Homeowner receives a notice of default from a lender or other lienholder, it will be considered a default under the Measure J Restrictions as well, and County may pursue any available legal remedies to avoid loss of the home to the Program through foreclosure, including exercising its option to purchase, if applicable, and/or assigning such option to an eligible buyer prior to foreclosure. The County will cooperate with Homeowner and lender to the extent possible to avoid foreclosure, in order to maintain the home in the Measure J Program. County shall not be obligated to take any actions to preserve Homeowner's ownership interest in the home, nor to pay any sums owed by Homeowner or take any legal action in favor of either party related to a default or foreclosure. In the event County does not exercise its option and a foreclosure occurs, the Restrictions will be released by the County and such home will no longer be bound by the Program restrictions. Homeowner may be obligated to pay excess proceeds, if any are obtained through foreclosure sale, to the County, as described in the Restrictions. Terms and procedures related to default are set forth in more detail in the Restrictions and related documents recorded against each home.

10. Move-up Buyer(s): Homeowners of an affordable unit wishing to sell their home in order to purchase a smaller or larger affordable unit ("move-up buyers") due to changes in household size, composition, or medical/disability-related needs, may be exempted from the first-time homebuyer requirement otherwise applicable to buyers, if a) their Household currently meets all other program eligibility requirements (income and asset limits, etc.), b) they provide evidence of the need for the smaller or larger unit to the Administering Agency, such as documentation of changes in household size and/or medical need for an extra bedroom, accessible unit, etc.; and c) their current affordable unit is sold to another eligible Household prior to close of escrow on the new affordable unit. Any homeowners considering a move-up purchase are strongly cautioned to consider the likely availability of affordable units for them to purchase, prior to listing their current home for sale. Such owners shall disclose to any prospective buyers that their current home is offered for sale contingent on the seller purchasing another affordable unit, which may be a lengthy process.

SECTION G. PROGRAM COMPLIANCE

Burden of Proof of Eligibility

Participation in the Program is a privilege, not a right, as there are not enough Measure J homes for all Eligible Households. All applicants bear the burden of proof to demonstrate that their Household meets all Program Eligibility Requirements by submitting complete applications with all required Valid Third-Party Documentation. Failure to adequately demonstrate such eligibility, by providing incomplete applications or otherwise not complying with these Guidelines or associated application instructions, will result in the Applicant being determined Ineligible and denied Program benefits.

Program staff is not required to prove that Applicants are ineligible, only that they failed to adequately document their eligibility through their application, and/or failed to submit a complete application, failed to secure adequate financing, or failed to deposit required down-payment and closing cost funds into escrow.

Program staff may contact any source provided by Applicant or included in their application to verify the information provided, and/or request information from those sources named or described generally on the Program's Authorization to Release Information Form included in application forms.

False Statements or Misrepresentations

Any false statement(s), intentional misrepresentation of the facts, or false representations submitted as part of any Program application, occupancy certification, or other Program submittal in order to obtain an eligibility determination or verify Program compliance constitutes an act of fraud and may be prosecuted accordingly. Submittal of intentionally false, misleading or incomplete information in a Program application, or intentional omission of required information will result in denial of eligibility to participate in the Program, and the applicant(s) will be permanently banned from the Program. If the County later discovers that a purchase was completed by an owner(s) who intentionally made false statements or misrepresented the facts in order to appear eligible to purchase the property, this will constitute fraud and/or default under the Restrictions, and the County will use all available legal remedies to bring the home into compliance, and/or impose any criminal or civil penalties allowed by law.

If the County determines that Measure J owner(s) have made intentionally false statements or misrepresentations in their annual occupancy certification in order to appear compliant with Program requirements and/or to cover up any non-compliance, it will use any enforcement measures available under the Ordinance, these Guidelines, and/or the Restrictions to restore compliance.

Unauthorized Rental, Sale, or Transfer of Affordable Homeownership Unit

If the Affordable Homeownership unit is rented out, sold or otherwise transferred in full or part without prior County approval, the County may use all available legal remedies to bring the home into compliance, and/or impose any criminal or civil penalties allowed by law, including possible sale of the property and/or requiring Homeowner(s) to reimburse the County for all rent that was collected in violation of Program requirements, or the amount of any presumed rent, based upon prevailing market-rate rents for a comparable rental unit, or for any excess sale proceeds, as explained further in the Restrictions and/or in the Ordinance.

Severability

If any one or more of the provisions contained in these Program Guidelines shall for any reason be held to be invalid, illegal or unenforceable in any respect by a court of law, then such provisions shall be deemed severable from the remaining provisions contained in the Guidelines, and the Guidelines shall be construed as if such invalid, illegal or unenforceable provision(s) had never been contained herein.

CHAPTER III: RENTAL PROGRAM

A. Eligibility Criteria

Prospective renters of any affordable rental unit governed by these Guidelines must be certified eligible for the program by the Administering Agency prior to leasing or occupying any affordable rental unit, and are subject to annual monitoring of eligibility for as long as they continue to rent or occupy an affordable rental unit. The eligibility criteria for the Rental Program are set forth below. Prospective tenants, after obtaining a written referral letter from the owner and/or property manager of an affordable rental unit, shall complete the Rental Program Eligibility Application Form, available upon request from the Administering Agency, and submit it to the Administering Agency prior to occupying an affordable rental unit. The Agency will review and provide the applicant with an eligibility determination letter within 10 days of receiving a complete application and the applicable fee as shown in Exhibit 5: Administrative Fees. Applications that are incomplete will be returned to the applicant with a checklist of missing items and will not be reviewed further until all required items are included and it is deemed complete. For more detail about the Rental Program application procedures, please see:

http://www.sccoplanning.com/PlanningHome/Housing/MeasureJAffordableHousingProgram.aspx

Rental Program Eligibility Criteria:

1. Income-Eligible Household
2. Live or Work in Santa Cruz County
3. Household Size
4. No Conflict of Interest
5. Not a Homeowner

1. Income-Eligible Household

Affordable rental units are restricted to occupancy by either Low or Very Low-income households, as defined in these Guidelines (See **Exhibit 1** for current income limits for each income level). Most Measure J rental units and ADUs are restricted to Low Income tenants, while most Density Bonus units are restricted to Very Low-Income tenants. If you or the owner/property manager are not sure which limits apply to the rental unit you are applying for, please contact the Administering Agency for assistance. Unit income levels are set in Developer Participation Agreements or similar deed restrictions recorded against the property. In addition to the limits on annual income, applicants may not own any other residential property, including in other states or nations, unless such property meets one of the exceptions listed in Chapter II under the definition of First Time Homebuyer. Please see **Exhibit 1** for the current income limits for the income level associated with the unit you are applying for, and **Exhibit 2:** Income and Asset Inclusions and Exclusions, for details about what type of income and assets are counted or not toward these limits. The Administering Agency uses the HUD Part 5 method of determining an applicant's gross household income. This method collects data from the applicant and household members reflecting the gross annual income of all adult household members for the prior 12-month period, such as tax returns, paycheck stubs, and benefits statements, and uses it to project the household's income for the next 12 months. For more detail about this method, please see **Exhibit 2**.

2. Live or Work in Santa Cruz County

Rental Program Applicants must either live or work within Santa Cruz County, including any of its incorporated cities, both at the time of application submittal and for at least the 60 days immediately preceding application date, as further set forth below. Addresses consisting solely of Post Office boxes or other private mailboxes are not sufficient to meet this local Live or Work requirement.

- Live in Santa Cruz County: Applicant and their household reside within the County, as evidenced by a current, fully executed lease for a rental dwelling unit located within the County, and other Valid Third-party Documentation of current local residency, as described in the Rental Application Form; or

- Work in Santa Cruz County: Either Applicant or Co-Applicant (a Principal Occupant to be named on the lease for the affordable unit) must be employed within Santa Cruz County. The local employment may consist of self-employment if the business is based in Santa Cruz County, as evidenced by required local licenses or permits and local business address. Employment does not include any unpaid or volunteer work, or a business consisting solely of operation of a rental unit. Local employment must be the primary source of income for the Applicant's household (at least 51% of gross annual household income), and the individual Applicant's or Co-Applicant's primary job or business. Valid Third-party Documentation of local employment or self-employment, as applicable, is required as part of the Rental Program Application, as further described in the application form.

  Exceptions: The Administering Agency may make exceptions to this Live/Work requirement in the following situations:

  a) Owners of ADUs may lease the ADU to a family member, caregiver, or personal friend who does not meet the live/work requirement; or

  b) For units restricted to occupancy by seniors aged 62 and older, the Live/Work requirement may be waived if the property owner provides adequate evidence of marketing the unit in various local advertising platforms and/or newspapers for at least 90 days, to the Agency's satisfaction, and that effort did not attract any eligible local applicants. The Housing Manager will have sole discretion in determining whether the 90-day marketing effort was adequate.

3. Household Size

Applicants' household size must be appropriate for the size of the unit, as shown in **Exhibit 3**: Occupancy Standards. Applicants must provide the Administering Agency with documentation to verify the household size claimed on their application, and this documentation must show that the household has been residing together for at least six months prior to application date, as further described in the application form.

Applications by smaller-sized Households for larger units will only be considered by the Administering Agency based on documentation by the Principal Occupant that there are unique and compelling individual circumstances that justify a greater number of bedrooms than the number of persons in the Household, or if the County grants a reasonable accommodation under federal or state fair housing laws.

4. No Conflict of Interest

The following persons are ineligible to rent or occupy an Affordable Unit:

- All employees and officials of the County and/or the Administering Agency who have, by the authority of their position, policy-making authority or influence over Santa Cruz County housing programs.
- The developer or owner of the Affordable Unit to be purchased or rented.
- The immediate relatives, employees, and anyone gaining significant economic benefit from a direct business association with public employees, officials, developers, or owners who are not eligible to purchase or rent an inclusionary unit.

5. Not a Homeowner

Rental Program Applicants and current occupants of affordable rental units may not own another home or any kind of residential property at time of program application or at any time while occupying an affordable rental unit. For more detail, please see the definition of First Time Home Buyer in Chapter II: Homeownership Program.

B. Rent Limits

The income level to which each Affordable Rental Unit is restricted is set forth in the Affordable Housing Participation Agreement or comparable deed restrictions recorded against the rental property. The Administering Agency can verify the income level of each affordable rental unit upon request. The rent limits for each affordability level are provided in **Exhibit 2** to these Guidelines.

Unless otherwise specified by state law, County Code, or the property's deed restrictions, the rent limits are calculated using a housing allowance of 30% of gross monthly household income for a Household size of one person more than the number of bedrooms in the Affordable Unit, and an income level (AMI %) as shown in **Exhibit 2** to these Guidelines.

"Rent" includes monthly rent paid to the property owner and all fees for parking and other housing services. The rent limits are updated annually by the Administering Agency following the annual publication of HCD income limits for Santa Cruz County.

Notwithstanding the foregoing, landlords with an Affordable Rental Unit may participate in the Section 8 Housing Choice Voucher Program and similar housing voucher programs, and accept the rent levels allowed by those programs.

Affordable housing units developed with local, state or federal funding or other assistance are often subject to various regulatory agreements which may impose stricter rent and/or income limits than these Guidelines. In such cases, the stricter limits prevail.

Congregate Care Units

Affordable Rental Units in congregate senior housing projects deed restricted prior to January 2015, which provide services beyond basic shelter, may charge for congregate care services in addition to the affordable rents, to account for the additional cost of providing such additional services. Unless the Board of Supervisors decides or has decided otherwise with respect to a particular congregate care senior project, charges allowed for congregate care services, in addition to the unit's monthly rent, may not exceed the limits provided in Table Three, which are based on 35% of total Household income for a single person, or 45% of total Household income for a couple, at an income level of 60% of median.

Table Three: Maximum Congregate Care Service Charges	
Household Size	Maximum Monthly Service Charge
1	$1,626
2	$2,390

Limited Rental of Measure J Homeownership Units

Units in the Measure J Homeownership Program, which are built within residential condominium or townhome developments, or in single-family subdivisions, may be rented out only in limited circumstances. In any of these circumstances, the unit is always subject to the Measure J Low Income rent and income limits while being operated as a rental unit, and the owner must apply for written County approval prior to renting out the unit. A limited number of homeownership units, mostly in senior housing developments, have been converted to "Investor-Owner" status with Agency approval. Those units are considered Measure J affordable rental units as long as the Investor-Owner restriction remains in effect on the property title. In addition, the Homeownership Program Guidelines allow homeowners otherwise in good standing to temporarily rent out their home in hardship situations, after receiving County approval, as further explained in Chapter II of these Guidelines.

Short term rental of any type of Affordable Rental Unit, defined as any rental occupancy or lease of less than 30 days in duration, is expressly forbidden.

The penalty for violation of any of the rental provisions shall be a requirement to sell the unit to an eligible buyer plus a penalty payment of 1.5 times the value of the invalid rents.

Conversion of Homeownership Units to Investor-Owner Status

The Administering Agency will deny all applications for conversion to Investor-Owner status for any Measure J homeownership unit in a common interest development in which more than 25% of the units are occupied by renters, or that exceed 10% ownership by a single person or entity. In addition, the Agency may reject any application for conversion to Investor-Owner status for an all-age Measure J unit (those not restricted to occupancy by seniors aged 62 and older) unless the homeowner has previously been in compliance with all applicable Guidelines, and has submitted a Notice of Intent to Sell to the Agency, listed the home on the MLS, and actively marketed it for sale, using the services of a licensed real estate agent, for at least 180 days prior to submittal of the application to convert to Investor-Owner status.

C. Rental Unit Procedures

RENTERS

When you find an affordable rental unit listed for rent, review the income limits and eligibility criteria provided by the landlord for that unit.

Ask the landlord for a referral letter or contingent lease for the Affordable Rental Unit.

Once you have a referral letter or lease, contact Housing staff at 454-2332 to request an Affordable Rental Unit Application Form and make an appointment for eligibility screening.

Bring your referral letter or lease, completed and signed Affordable Unit Rental Application, and all required attachments to your eligibility appointment.

Housing Staff will review your application for eligibility and send you a determination letter, usually within 1 week of receiving your complete application with all attachments.

When you receive your eligibility determination letter from Housing Staff, take it to the Landlord and complete the lease-up/move-in process as usual.

OWNERS/LANDLORDS

(i) Review the Affordable Housing Restrictions recorded against your home, or the Participation Agreement recorded against your rental property to verify that your unit may be rented and check the applicable income and rent limits. For Measure J homes, the document should have “Investor-Owner” in the title. If you cannot find it, or you’re not sure if it allows rental of your Unit, please contact the Administering Agency to verify.

(ii) Review the Measure J rent and income limits applicable to your Unit as listed under “Maximum Rents” section.

(iii) Market the Unit to prospective tenants, review the income limits and eligibility criteria with them, and select a prospective tenant to refer to Housing Staff for eligibility determination. Provide them with a referral letter signed by you with the Unit address, tenant’s name, and your contact information, OR with a lease contingent on County certification of Measure J eligibility.

If your prospective tenant is not certified eligible, refer your next prospective tenant to Housing Staff. Refer no more than one prospective tenant at a time (per available Unit) to the County for eligibility screening.

(iv) Once you've received a certification letter from your prospective tenant, you may sign a lease with that tenant and complete the lease-up/move-in process as usual.

CHAPTER IV: DEVELOPER AND LANDLORD GUIDELINES

This Chapter provides guidance for developers and landlords of affordable units developed through the Measure J Housing Program, the Density Bonus Program, and the Accessory Dwelling Unit Loan Program.

A. AFFORDABLE UNIT STANDARDS

SCCC 17.10 provides standards for development of affordable units within for-sale projects. Affordable rental units must have standard quality finishes, must have occupancy permits, and shall meet the following standards:

The minimum unit size for congregate senior projects shall be comparable to the size of market-rate units for all types and bedroom sizes, consistent with SCCC 17.10.032.

Washer and dryer connections within the units or access to a common laundry facility within the project;

Garage or paved parking area and sidewalk leading from the parking area to the unit;

At least 1-1/2 bathrooms for units with three or more bedrooms.

The Planning Director may allow minor variations from these standards if the unit is otherwise of superior design or amenity level.

B. MAXIMUM SALES PRICE FOR NEW AFFORDABLE UNITS

New Affordable Units shall be sold on their first sale, for a price that is no more than the maximum sales price set according to the methodology established in this section.

The maximum sales price shall be determined by the Administering Agency upon receipt of the "Notice of Intent to Sell" for the Affordable Unit by the developer.

The maximum sales prices for new Affordable Units will be calculated using the methodology below to be affordable to the targeted income level pursuant to the development's Participation Agreement.

The methodology used to calculate the maximum sales price for a new Measure J home assumes a Household in the qualifying AMI range, as adjusted for family size, is paying an affordable housing cost. To derive the price these assumptions are used:

The maximum sales price is determined by applying steps 1 through 6 below:

1. Derive the assumed household size. The calculation assumes a Household as having one person more than the number of bedrooms in the Affordable unit (for example, the price of a three-bedroom home will be based on a four-person household).

2. Determine the annual income for the Assumed Household Size based on whether the unit is designated for occupancy by a Moderate Income, Lower Income or Very Low-Income Household from **Exhibit 1:** Area Median Income Adjusted for Family Size.

3. Multiply the AMI for the Assumed Household Size, after identifying the targeted income level for the unit, by:
    a. 110% for an Affordable Unit designated for a Moderate-Income Household occupancy;
    b. 70% for an Affordable Unit designated for a Lower Income Household occupancy; or
    c. 50% for an Affordable Unit designated for a Very Low-Income Household occupancy.

4. Determine the monthly affordable housing allowance available for a mortgage payment:
    a. Multiply annual income from step 2 by 0.30 to obtain an annual housing allowance of 30% of income;
    b. Divide the housing allowance by 12 to obtain a monthly housing allowance;
    c. Deduct from the monthly housing allowance the monthly costs of property taxes, insurance, a reasonable allowance for utilities, and monthly homeowner's association (HOA) fees to obtain a net allowance available for mortgage payments.

5. Determine the prevailing interest rate by assuming the interest rate for a 30-year fully amortized fixed-rate home mortgage that is equal to the previous year's average mortgage interest rates from Freddie Mac's "Weekly Primary Mortgage Market Survey." The current prevailing interest rate is available from the Administering Agency and will be adjusted annually to coincide with the changes in median income by HCD, which generally occur by May.

6. Calculate the Maximum Sales Price that can be financed at the prevailing interest rate from Step 5 based on the affordable housing allowance as determined in Step 4.

C. ACTIVELY MARKETING UNITS

The maximum sale price of new and resale Affordable Units is valid for sixty days after written notification of the maximum sale price by the Administering Agency by letter to the Homeowner(s). During this 60-day period, the seller shall begin marketing the home for sale, as evidenced by listing the home with an agent and/or on the MLS or other home sales website for a price no higher than the maximum price, or by accepting an offer from an eligible buyer and opening escrow. Extensions to this time limit may be granted at the discretion of the Administering Agency for active marketing efforts continuing uninterrupted from the initial listing date, and will be granted for pending transactions, if a sales contract with an eligible buyer has been fully executed and escrow has opened, and both parties are proceeding diligently toward closing. Actively marketing the unit shall include some or all of the following efforts:

- Listing home with a licensed real estate agent or broker;
- Dual representation (agency) is not allowed under the Affordable Housing Program. Dual agency is when a single real estate agent represents both the buyer and the seller in a real estate transaction.
- Listing of the home for sale on the MLS or other online home sales platform;
- Returning all calls or inquiries about the house promptly;
- Holding a series of "open houses";
- Considering purchase offers from income eligible buyers;
- Listing on the Administering Agency's website.

D. EXISTING UNIT CONVERSION PROGRAM GUIDELINES

Developers of a new housing development subject to SCCC 17.10 may opt to participate in the Existing Unit Conversion Program in lieu of constructing inclusionary units if the requirements of SCCC 17.10.037 and the following conditions are met:

1. The Approving Body approves the use of this alternative as part of the original development permit;

2. Two existing market-rate units must be converted to Affordable Units for each inclusionary unit that would otherwise be required to be built on-site; and

3. The units to be converted must meet the minimum physical standards for all inclusionary units as described above in SCCC 17.10.032, Unit Standards, as well as the following additional standards for converted units:

a) Bedroom Count. The average bedroom count of the converted units shall not be less than the average bedroom count in the market rate units in the project. Alternatives may be considered on a case-by-case basis, as outlined in subsection (g) below.

b) Size. The size of converted units shall not be less than 75% of the average size of the market rate units. In no case shall an Affordable Unit size be less than the minimum specified by the Affordable Housing Guidelines.

c) The Planning Director may grant exceptions to the standards of subsections 3. a) and b) where developers propose to provide a greater number of units or enhanced affordability, if it is infeasible to provide comparably sized units. For example, if a developer building a project of 4-bedroom homes cannot locate existing 4 bedroom units to convert, the developer may propose to substitute two 2-bedroom units (or a 3-bedroom unit and a 1-

bedroom unit) for each 4-bedroom Affordable Unit required while still meeting the requirements of Section D.2.

d) Physical Quality

(i) Units must meet current HUD Section 8 Housing Choice Voucher Program Housing Quality Standards (HQS) to ensure that the units and their sites are decent, safe and sanitary.

(ii) Units must have been built and permitted under the 1973 or later building and related codes. Or, units must have been substantially rehabilitated, as reasonably determined by an Administering Agency rehabilitation specialist, to meet the 1973 or later building and related codes.

(iii) Developer must deliver to the Administering Agency a Wood Destroying Pests and Organisms Inspection Report on the unit with a follow-up SECTION 1 ITEM inspection and clearance.

(iv) As reasonably determined by the rehabilitation specialist, the following building components must have a useful remaining life, with routine maintenance, of at least 10-years:

- Roof coverings and roofing accessories, including but not limited to gutters and downspouts, metal flashings, jacks and caps
- Heating system
- Exterior doors
- Windows
- Floor coverings
- Kitchen and bathroom counter tops
- Tub and/or shower enclosures including glass doors

(v) As reasonably determined by the County, the following building components must have a useful remaining life, with routine maintenance, of at least 5 years:

- Exterior painted or stained surfaces
- Water heaters
- Built-in kitchen appliances

Developer must deliver to the Administering Agency a housing inspection report, prepared by a certified housing inspector, that details the condition of all building and site components including but not limited to: the roof and structural components; foundation and exterior paved surfaces; electrical, mechanical, heating/ventilation, and plumbing systems; windows, doors, and chimneys; paint and other moisture sealants; floor coverings; and any existing fencing, porches, railings, etc.

This report must identify any hazards, health and safety code violations, or major deferred maintenance issues that may be found, or certify that no such problems were found.

The Administering Agency will evaluate the inspection report, personally inspect the unit and produce and deliver to the developer a list of deficiencies (if any) needing repair, renovation, alteration or reconstruction. After correcting all deficiencies, the developer shall notify the Agency rehabilitation specialist who will do a final inspection and approve the unit for inclusion in County Affordable Housing Program. The developer shall then submit a "Notice of Intent to Sell" to the Administering Agency for further sale processing.

- The units to be converted must be located within the same Planning Area as the proposed project, except that the Planning Director may approve exceptions to the Planning Area requirement if the request is consistent with the intent and purposes of the County's Affordable Housing Ordinance (Chapter 17.10).

- The units to be purchased must not be subject to any rent limits, resale price restrictions, or other affordable housing restrictions imposed by any government or non-profit agency or land trust at the time of purchase for use under this program. Conversion of multi-family rental property to condominium ownership will not be approved as part of the project.

- If the units to be converted are occupied and rented by Moderate or Lower Income Households at the time of conversion, the occupying tenants must be given the first right of refusal to purchase the units if they meet the eligibility requirements under these Guidelines and can obtain necessary financing within 60 days of being notified of the sale by the Principal Occupant. If tenants cannot be certified as eligible to purchase or cannot obtain necessary financing, relocation benefits must be provided to the tenants by the developer as a condition of project approval. These relocation benefits shall consist of the immediate payment of three months' fair market value rent for a unit of comparable size, as established by the most current federal Department of Housing and Urban Development schedule of fair market rents, or three months of the tenant's actual rent at the time of relocation, whichever is greater.

Alternative Options

The Approving Body for the development application (generally the Board of Supervisors or the Planning Commission) may approve, on a case-by-case basis, the use of any other alternatives to satisfy the requirements of the Existing Unit Conversion program if the alternative proposed is deemed to be a preferable contribution to the affordable housing stock, by providing a greater number of rental units and/or an equal number of units at a greater level of affordability. These alternatives may include, but are not limited to, a scenario such as the following: A developer proposes to purchase a multi-family rental property and donate it to a local non-profit housing provider for rental to Very Low-Income Households.

CHAPTER V: AFFORDABLE HOUSING IMPACT FEES

The Affordable Housing Impact Fee (AHIF) applies to construction of new dwelling units and non-residential structures and/or square footage in accordance with SCCC 17.10 and the County's Unified Fee Schedule, except for-sale developments of 7 or more units providing at least 15% affordable homes within the project for sale pursuant to the Measure J program (SCCC17.10).

A. AFFORDABLE HOUSING IMPACT FEE FOR OWNERSHIP DEVELOPMENTS

Ownership projects of fewer than seven units will meet their affordable housing obligation through the payment of fees, which are charged on a per-square-foot basis based on the size of the units. Ownership projects of more than seven units are assumed to provide 15% of the units at an affordable sales price. On certain rare occasions the Approving Body (either the Board of Supervisors or the Planning Commission) may consider the payment of Impact Fees rather than providing on site units at the time the project is approved.

The AHIF rates for residential ownership projects are shown in the table below:

RESIDENTIAL OWNERSHIP PROJECTS: Developments of multiple homes for sale and/or single-family home projects*				
	New Single-Family Home	**Single Family Home Additions, Remodels and Replacements: Net new square footage greater than 500**	**2 - 4 Home Projects**	**5+ Home Projects**
Up to 2,000 square feet	$2	$2	$7	$15
2,001-2,500 square feet	$3	$3	$8	$15
2,501-3,000 square feet	$5	$5	$10	$15
3,001-4,000 square feet	$10	$10	$12	$15
4,001 square feet and up	$15	$15	$15	$15

** Fees stated are Per Square Foot*

Affordable housing impact fees shall be paid at the time of issuance of a building permit. The Planning Director may approve payment of fees at occupancy based on hardship.

1: Affordable Housing Impact Fee Calculation for Projects of Six or Fewer Units

Example: Assume a project with 4 units where 2 homes are 2,000 sq. ft. each, 1 home is 2,500 sq. ft., and 1 home is 5,500 sq. ft. The fees for the homes will be calculated as follows:

- 2,000 sq. ft. homes: The fee for each home is calculated as follows:

  2,000 sq. ft. x $7/sq. ft. = $ 14,000

  $14,000/unit x 2 units = $ 28,000

- 5,500 sq. ft. home: The fee for the home is calculated as follows:

  5,500 sq. ft. x $ 15/sq. ft. = $82,500

- 2,500 sq. ft. home: The fee for the home is calculated as follows:

  2,500 sq. ft. x $ 8/sq. ft. = $20,000

Total fee for 4-unit project = $130,500 ($28,000+$82,500+$20,000)

2. Fractional Fee Calculation for Projects Providing Affordable Units On-site

Methodology: To determine the amount of the affordable housing impact fee for a fractional unit and for projects which provide some units on-site and pay an affordable housing impact fee for others, the following procedure must be followed:

a. Calculate the project's affordable housing requirement by multiplying the number of units in the project by 15% (the required percentage of Affordable units),

b. Determine the total affordable housing impact fee for the entire project by multiplying the total number of units in the project by the average home size times the impact fee of $15/sq. ft.,

c. Divide the total affordable housing impact fee by the number of required Affordable units to determine the impact fee per Affordable unit,

d. Multiply the impact fee per Affordable unit by any fractional amount to determine the actual impact fee owed by the project,

e. Divide the actual impact fee owed by the number of market-rate units in the project to determine the fee per market-rate unit. This amount will be secured by a lien against each home until the amount is paid by the developer.

Example: Assume a project with 25 units and an average unit size of 2,000 sq. ft. Using the five steps above, the fee per market-rate home would be determined as follows.

The project's affordable housing requirement equals 25 units x 15% = 3.75 units. The project is required to provide 3 Affordable Units on-site and to pay a fee for the fractional 0.75 unit.

1. The total affordable housing impact fee for the entire project would equal 25 units x 2,000 sq. ft. [average home size] x $15/sq. ft. = $750,000.

2. Divide the total affordable housing impact fee of $750,000 by the affordable housing requirement of 3.75 units to obtain an impact fee of $200,000 for each required Affordable Unit.

3. For the fractional unit, the impact fee is .75 x $200,000 = $150,000.

4. Of the 25 units in the project, 22 are market-rate and 3 are Affordable Units. To determine the impact fee per market-rate units, divide $150,000 by 22 = $6,818.18 per market-rate unit. This amount will be secured by a lien against each market-rate home and will be paid by the developer when the home is sold to the homeowner.

A. AFFORDABLE HOUSING IMPACT FEE FOR RESIDENTIAL RENTAL PROJECTS

AHIF shall be paid at the time of issuance of a building permit for each unit in a rental project, unless the Planning Director approves payment of fees at occupancy based on hardship, based on the fee schedule. Projects providing affordable rental units within the project, such as density bonus projects, may qualify for a waiver of the fee in exchange for a certain number of affordable rental units. Please contact staff for details. Deed-restricted affordable rental units (such as those in density bonus projects, Measure J projects, and/or subsidized housing) and ADUs of 750 sq. ft. or less in habitable floor area are exempt from the AHIF. ADUs with more than 750 sq. ft. in habitable floor area are subject to the AHIF at the standard rental rate, as shown below.

<table>
<tr><th colspan="2">Affordable Housing Impact Fee:
RESIDENTIAL RENTAL PROJECTS</th></tr>
<tr><th>New Rental Projects (including ADUs)</th><th>Impact Fee Per
Habitable Sq. Ft.</th></tr>
<tr><td>All market-rate rental units, (including ADUs of 751 Sq Ft or more)</td><td>$2</td></tr>
<tr><td>ADUs of 750 SF or less</td><td rowspan="2">Exempt</td></tr>
<tr><td>Deed-restricted affordable rental units (standard or ADU) affordable to lower-income households</td></tr>
</table>

<u>Example:</u> AHIF Calculation for Rental Project

Assume a project with 10 units where each unit has 1,000 sq. ft. The fees for the development will be calculated as follows:

1,000 sq. ft. @ $2/sq. ft. = $ 2,000

Total fee = $20,000 (10 units x $2,000/unit)

Example: AHIF Calculation for Project of 2 new ADUs at Existing 10-unit Rental Property

Assume a project with 2 ADUs where one ADU is 600 SF, and 1 unit is 850 SF. The AHIF for the project will be calculated as follows:

850 sq. ft. ADU @ $2/sq. ft.	=	$ 1,700
600 sq. ft. ADU	=	Exempt (less than 750 SF)
Total AHIF	=	**$1,700**

B. AFFORDABLE HOUSING IMPACT FEE FOR NON-RESIDENTIAL DEVELOPMENTS

Non-residential AHIF is due from developers of non-residential projects that result in a net increase of floor area in commercial, industrial, or agricultural structures. Public facility uses (government or institutional uses, such as schools, public buildings, hospitals, or other publicly owned facilities), are not subject to the AHIF, in accordance with SCCC 17.10 and the County's Unified Fee Schedule. AHIF rates for non-residential developments are provided below:

AHIF Rates for Non-Residential Projects applies to net new square footage	
Type of Structure/Use	**AHIF**
Industrial/Manufacturing	$3
AHIF Rates for Non-Residential Projects applies to net new square footage *(continued from previous page)*	
Office, including Medical Office	$3
Agricultural—barn housing animals or machinery continue to pay lower fee	$1
Agricultural greenhouses, processing facilities and other structures used for agriculture	$3
Other non-residential, including private residential care (assisted living) facilities	$3
Hotel/Motel	$3
Retail	$3

AHIF shall be paid at the time of issuance of a building permit for the non-residential project, unless the Planning Director approves payment of fees at occupancy based on hardship.

Example: AHIF Calculation for Non-Residential Project

Assume a commercial project that will demolish an existing 10,000 SF commercial structure and construct a new 15,000 SF commercial structure in its place. The AHIF for the development will be calculated as follows:

Net increase in Floor Area (SF):

15,000 SF new – 10,000 SF existing	=	5,000 SF
Total fee	=	**$10,000** (5,000 SF x $2)

CHAPTER VI: EXHIBITS

EXHIBIT 1

2023 INCOME LIMITS

Area Median Income (AMI) Limits Adjusted for Household Size								
Income Level *(Percent of AMI)*	Number of Persons in Household							
	1	2	3	4	5	6	7	8
Very Low (50%)	$57,650	$65,900	$74,150	$82,350	$88,950	$95,550	$102,150	$108,750
Lower (80%)	$92,500	$105,700	$118,900	$132,100	$142,700	$153,250	$163,850	$174,400
Moderate (120%)	$111,550	$127,500	$143,400	$159,350	$172,100	$184,850	$197,600	$210,350

AMI: Area Median Income for Santa Cruz County, as published annually by HCD. Very Low and Low-Income limits are set by HUD.

INCOME LIMITS BY PROGRAM

Program / Unit Type	Applicable Income Limits
Rental Units: Measure J	Low Income
Rental Units: Density Bonus	Very Low or Low Income (see Agreement)
For-Sale Units: Measure J	Moderate Income
For-Sale Units: Density Bonus	Moderate Income, possibly Low or Very Low if replacement units
ADUs assisted by ADU Incentives Program	Low and/or Moderate Income

EXHIBIT 2

AFFORDABLE HOMEOWNERSHIP PROGRAM
INCOME AND ASSET LIMITS

A. Household Income Limits

The Household Income Limits used for most Measure J Home Buyer Program and RDA Homeownership Programs are the Moderate-Income Limits established annually by HCD. These are maximum income limits. Household income includes the gross, combined income of all adults in the Household, of various types (see HUD Part 5 definitions below for details). An Applicant's gross (pre-tax) annual household income, at the time of application, may not exceed the then-current Moderate-Income Limits for Applicant's actual household size, as shown on Table A.

Table A: Moderate Income Limits (120% of Area Median Income)

Maximum Gross Household Income	Number of Persons in Household							
	1	2	3	4	5	6	7	8
	$111,550	$127,500	$143,400	$159,350	$172,100	$184,850	$197,600	$210,350

Updated annually by HCD, generally in April or May.

B. Household Asset Limits

Applicants' total combined household assets (as defined in **Exhibit 2**, Asset Inclusions and Exclusions) may not exceed the following limits, based on the type of Affordable Unit being purchased:

Table B: Measure J and RDA Home Buyer Program Asset Limits

Unit Type	**Limit for General Assets** *(any assets other than Retirement Assets* and/or asset types excluded in Part 5 asset exclusions list)*
All-Age Units	**$120,000**
Senior Units (age 62+)	**$240,000*** ** Any general assets used to purchase the affordable home are not counted toward this General Asset limit.

** Retirement Assets include funds held in IRS-recognized retirement accounts (IRA, 401(k), 403(b), 457 Plans, etc.).*

In determining whether Household's assets are within the Asset Limits, staff will average each account's balance as shown in the monthly statements in Applicant's application for each monetary asset (bank, credit union, investment account statements) to determine current value of each asset.

Non-monetary assets, such as stock options, mobile homes, commercial real estate, etc., will be valued based on a current valuation (not less than 90 days old) to be provided by a qualified third-party appraiser or estimator, which must be included in Applicant's Program application. The Household's current total combined household assets, both on the application date (most recent monthly statements/valuations in application), and the average monthly balance, must be within these asset limits.

Income and Asset Inclusions and Exclusions

Housing Program staff follows the HOME Program Technical Guide (also known as the "Part 5" method) to determine gross household income of Program Applicants. This Guide includes a list of income and asset inclusions and exclusions used to determine gross household income and total household assets. This Guide is available online at HUD's website, and a copy is available for review at the County:

https://files.hudexchange.info/resources/documents/HOMEGuideForIncomeAndAllowances.pdf

The Part 5 list of income and asset inclusions and exclusions is provided in the following pages of this Exhibit. This list is also available online at:

https://files.hudexchange.info/resources/documents/HUD_P5_Inclusions_Exclusions.pdf

If the Part 5 inclusions and exclusions are subsequently modified by HUD, the then-current list, as published on the HUD website, shall prevail over the list provided in this Exhibit.

Note: Applicants must declare all assets listed in the Asset Inclusions list on Program Application forms.

HUD Part 5 (Section 8) Income Inclusions and Exclusions

24 CFR 5.609(b) and (c)

Examples included in parentheses have been added to the regulatory language for clarification.

INCOME INCLUSIONS:

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;

(4) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a **periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;**

(5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;

(6) Welfare Assistance.
(a) Welfare assistance received by the family.

(b) 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:

(c) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus

(d) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and

(8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.

(9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.)*, from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph "financial assistance" does not include loan proceeds for the purpose of determining income. *(Note: This paragraph also does not apply to a student who is living with his/her parents who are applying for or receiving Section 8 assistance.)*

INCOME EXCLUSIONS:

(1) Income from employment of children (including foster children) under the age of 18 years;

(2) Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone);

(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;

(4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

(5) Income of a live-in aide, as defined in 24 CFR 5.403;

(6) The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);

(7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);

(8)

(a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);

(b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);

(b) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(c) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident- initiative coordination. No resident may receive more than one such stipend during the same period of time; or

(d) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program.

(9) Temporary, nonrecurring, or sporadic income (including gifts);

(10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);

(11) Earnings in excess of $480 for each full-time student 18 years or older (excluding the head of household and spouse);

(12) Adoption assistance payments in excess of $480 per adopted child;

(13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;

(14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;

(15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(17) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the *Federal Register* and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. ***NOTE: the following is the updated list from the Federal***

Register dated May 20, 2014.

The following is a list of income sources that qualify for that exclusion:

(a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 [b]);

(b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (e.g., employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);

(c) Certain payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c])

(d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);

(e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);

(f) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 94–540, section 6);

(g) The first $2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U. S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408). This exclusion does not include proceeds of gaming operations regulated by the Commission;

(h) Amounts of scholarships funded under title IV of the Higher Education Act of 1965 (20 U.S.C. 1407-1408), including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu). For section 8 programs only (42 U.S.C. 1437f), any financial assistance in excess of amounts received by an individual for tuition and any other required fees and charges under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall not be considered income to that individual if the individual is over the age of 23 with dependent children (Pub. L. 109-11, section 327) (as amended);

(i) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42U.S.C. 3056g) (e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program);

(j) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in *In Re Agent Orange Liability Litigation*, M.D.L. No. 381 (E.D.N.Y.);

(k) Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96-420, 25 U.S.C. 1728);

(l) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);

(m) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, for programs administered under the United States Housing Act of 1937, title V of the Housing Act of 1949, section 101 of the Housing and Urban Development Act of 1965, and sections 221(d)(3), 235, and 236 of the National Housing Act (26 U.S.C. 32[l]);

(n) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);

(o) Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);

(p) Any allowance paid under the provisions of 38 U.S.C. 1833(c) to children of Vietnam veterans born with spina bifida (38 U.S.C. 1802-05) children of women Vietnam veterans born with certain birth defects (38 U.S.C. 1821), and children of certain Korean service veterans born with spina bifida (38 U.S.C. 1821);

(q) Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602);

(r) Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931(a)(2));

(s) Any amount received under the Richard B. Russell School Lunch Act (42 U.S.C. 1780(e)) and the Child Nutrition Act of 1966 (42 U.S.C. 1780(b)), including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC);

(t) Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990(25 U.S.C. 1774f(b));

(u) Deferred amounts from Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts(42 U.S.C.§ 1437a(b)(4));

(v) Compensation received by or on behalf of a veteran for service-connected disability, death, dependency, or indemnity compensation as provided by an amendment by the Indian Veterans Housing Opportunity Act of 2010 (Pub. L. 111-269; 25 U.S.C. 4103(9)) to the definition of income applicable to programs authorized under the Native American Housing Assistance and Self-Determination Act (NAHASDA) (25 U.S.C. 4101 *et seq.*) and administered by the Office of Native American Programs;

(w) A lump sum or a periodic payment received by an individual Indian pursuant to the Class Action Settlement Agreement in the case entitled Elouise Cobell et al. v. Ken Salazar et al., 816 F.Supp.2d 10 (Oct 5, 2011 D.D.C.), for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010 (Pub. L. 111-291);

(x) Any amounts in an "individual development account" as provided by the Assets for Independence Act, as amended in 2002 (Pub. L. 107-110, 42 U.S.C. 604(h)(4));

(y) Per capita payments made from the proceeds of Indian Tribal Trust Cases as described in PIH Notice 2013-30 "Exclusion from Income of Payments under Recent Tribal Trust

Settlements" (25 U.S.C. 117b(a)); and

(z) Major disaster and emergency assistance received by individuals and families under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Pub. L. 93-288, as amended) and comparable disaster assistance provided by the States, local government, and disaster assistance organizations (42 U.S.C. 5155(d)).

Part 5 (Section 8) Asset Inclusions and Exclusions

ASSET INCLUSIONS:

(1) Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.

(2) Cash value of revocable trusts available to the applicant.

(3) Equity in rental property or other capital investments. Equity is the estimated current fair market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., penalties or broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.

(4) Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.

(5) Individual retirement, 401(K), and Keogh accounts (even if withdrawal would result in a penalty). While an individual is employed, count only amounts the family can withdraw without retiring or terminating employment. After retiring or terminating employment, count as an asset any amount the employee elects to receive as a lump sum.

(6) Annuity where the applicant has the option of withdrawing a balance (even if withdrawal would result in a penalty).

(7) Retirement and pension funds.

(8) Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).

(9) Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.

(10) Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, cash from sale of assets, victim's restitution, insurance settlements, and other amounts not intended as periodic payments.

(11) Mortgages or deeds of trust held by an applicant.

(12) Assets disposed of for less than fair market value (e.g. property) when the fair market value of all assets given away during the past two years exceeds the gross amount received by more than $1,000.

ASSET EXCLUSIONS:

(13) Necessary personal property, except as noted in number 9 of Inclusions, such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities.

(14) Interest in Indian trust lands.

(15) Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.

(16) Equity in cooperatives in which the family lives.

(17) Assets not accessible to and that provide no income for the applicant.

(18) Term life insurance policies (i.e., where there is no cash value).

(19) Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

(20) Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce, or separation.

(21) IRA, Keogh, and similar retirement savings accounts where benefits are being received through periodic payments.

(22) Lump sum payments where the money is used for something that is not an asset— e.g. a car or a vacation or education.

EXHIBIT 3:

OCCUPANCY STANDARDS

To determine the size of unit (number of bedrooms) an Applicant is eligible to purchase or rent, the number of people in their household, and their age, gender and familial relationships (siblings, couples/spouses, parent, child, etc.) are considered by the Administering Agency. The maximum occupancy allowed in an Affordable Unit is two people per bedroom, plus one additional person. The minimum allowed is no fewer than one person per bedroom, however couples of any kind (married, domestic partner or unmarried couples) are required to share a bedroom, unless a reasonable accommodation is approved. Reasonable accommodations to these standards may be requested in the case of medical or disability needs and will be considered on a case-by-case basis.

Unit Size	Minimum Household Size	Maximum Household Size
Studio	1	2
1-Bedroom	1	3
2-Bedroom	2	5
3-Bedroom	3	7
4-Bedroom	4	9

Some households may qualify for a range of unit sizes (e.g., a 3-person household may qualify for a 1-, 2- or 3-bedroom), depending on household composition, and may choose among those for which they qualify, assuming they can afford the unit. Most affordable rental units within County programs are 1- and 2-bedroom units, many of which are restricted to seniors. Program staff will review household composition details and notify applicants of the unit size for which they are eligible.

EXHIBIT 4:

HUD-APPROVED HOMEBUYER CLASSES

Applicants are responsible for paying any required fees for attending the homebuyer class of their choice.

IN-PERSON OR ONLINE:

Project Sentinel

Located in Milpitas. Call (800) 339-6043 for updates on in-person classes. Classes currently available online: https://www.housing.org/first-time-homebuyer-education .

ONLINE CLASSES

Online Classes are available from the following non-profit housing counseling agencies, often in various languages:

https://www.balancepro.org/workshops/

https://www.hometrek.org/

https://www.knowdebt.org/services/homebuyer-education-course/

Other providers may also be available. If you have found a class you prefer from another provider, check with Housing staff to determine if it is HUD-approved and meets the Program requirements.

EXHIBIT 5

ADMINISTRATIVE FEES

All Fees Are **Non-Refundable** once paid, regardless of whether application or contemplated transaction is approved or denied.

FEE	PURPOSE	AMOUNT
1. Homebuyer Eligibility Application Fee	Review and verify the Homebuyer Eligibility Application, which includes proposed Purchase and Sale Contract and eligibility documentation; and determines if Applicant's household is eligible to purchase the size of home (number of bedrooms) indicated in the Purchase Contract. **Paid by Applicant to Housing Authority**	Current Housing Authority Fee Rate*
2. Homebuyer Underwriting Fee	Review and verify the applicant's Affordable Housing Purchase Application, which includes loan application and related documents, and the underwriting the proposed financing terms and amounts. **Paid by Buyer at Close of Escrow**	$150
3. Seller's Sales Fee	Preparation of County escrow instructions; final coordination with loan and escrow officers, buyer and seller, real estate agents; preparation of the Affordable Housing covenants, deeds of trust, and other legal forms; and long-term compliance monitoring costs. **Paid by Seller at Close of Escrow**.	$550
4. Refinancing Fee	Review and issue a determination letter for Affordable Housing Refinance Applications. Explain application process and provide customer service to applicant, coordinate with lender and escrow office; if approved, prepare and deliver escrow instructions and recordable documents, including Request for Notice of Default. **Paid by Homeowner**.	$300

FEE	PURPOSE	AMOUNT
4. Penalty Fee for Unauthorized Refinance **	Paid by Homeowner upon discovery of the unauthorized refinance, or upon close of escrow of the next transaction for which homeowner seeks County approval (resale or refinance of the home).	$1,000
5. Renter Eligibility Application	Payable by applicant to rent a Measure J rental unit (includes Investor/Owner units). May be paid by landlord or tenant. Covers cost of staff to review and determine applicant's eligibility as a lower-income household and related eligibility criteria for the rental program.	$30

Note: Program fees may be adjusted semi-annually upon adoption of the County Unified Fee Schedule. The most current fees are listed in the Fee Schedule, and are available online at the County website below, or upon request by calling the Housing Division at (831) 454-2332.

* The current Housing Authority fee rate is provided in the Buyer Application Form.

** Approved in concept; pending approval of Code amendment and Unified Fee Schedule update by the Board of Supervisors

EXHIBIT 6

SPLIT OF ESCROW FEES AND COSTS FOR SALES OF AFFORDABLE HOMES

Cost Item	Percent of cost paid by Seller	Percent of cost paid by Buyer
Real Estate Sales Commissions	100%	0%
Owner's CLTA title and escrow fee	50%	50%
Lender's ALTA title insurance premium	0%	100%

EXHIBIT 7

RENT LIMITS

	Measure J and Density Bonus Programs		ADU Program
Unit Size	**LOW (60% AMI)**	**VERY LOW (50% AMI)**	**Low - Moderate**
Studio	$ 1,734	$ 1,441	See ADU Incentives Program materials for details
1	$ 1,982	$ 1,648	
2	$ 2,229	$ 1,854	
3	$ 2,477	$ 2,059	
4	$ 2,676	$ 2,224	

These are the maximum allowable rents for these programs. There is no guarantee that any given affordable unit will rent at the maximum level, depending on broader market conditions.

All rents include provision of utilities, or applicable utility allowance, by the landlord. Current utility allowance schedule is available on the Housing Authority website.

Program / Unit Type	% of AMI Used to Create Rent Limits
Low Income Rental Units: Measure J and Density Bonus	HUD "60%" Limit
Very Low Income Rental Units: Measure J and Density Bonus	HUD Very Low Limit ("50%" AMI)
ADUs assisted through ADU Incentives Program	100% AMI

The AMI percentage used to calculate the rent limits for each type of affordable rental unit is set forth in applicable sections of the County Code. AMI: Area Median Income for Santa Cruz County, published annually by HCD.

All Affordable Rental Units may be rented to tenants with housing vouchers (Section 8, TBRA, etc.). In such cases, the agency that issued the voucher will determine how much rent they can pay for the unit, or "voucher payment standard" (VPS). The VPS may exceed the rent limits above, as long as the tenant's share of rent does not exceed the allowable housing cost for that tenant, as determined by the Housing Authority or other voucher-issuing agency. Current VPS is available on the Housing Authority website.