

Affordable Ownership Housing Regulations

Home Owner Requirements



**The City of Huntington Beach and the
Huntington Beach Redevelopment Agency**

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I. INTRODUCTION

A. Home Ownership Opportunities

The City manages an Affordable Ownership Housing Program that consists of the City's Inclusionary Housing Program and ownership projects assisted by the Agency. The Program provides Low and Moderate income households with the opportunity to own a home in Huntington Beach. The City currently administers covenants on over 400 homes within Huntington Beach. By requiring Owners to adhere to long-term resale restrictions, the City maintains the opportunity for new owners to buy affordable housing units in Huntington Beach.

B. Purpose of Affordable Ownership Housing Regulations

City Role in the Affordable Ownership Housing Process

The primary objective of the Affordable Ownership Housing Program is to provide affordable housing to residents who would otherwise have difficulty owning a home in Huntington Beach. Persons interested in purchasing an Affordable Ownership Unit through the City's Affordable Ownership Housing Program, must apply to and be approved by the City. It must be noted that the various Ownership programs offered by the City may have differing eligibility and continuing home owner requirements.

The Affordable Housing Administrator or a designee will authorize a sale transaction only when it determines that the Home Buyer is an Eligible Purchaser, and that the unit is being sold at the Affordable Sales Price. For the duration of the required Affordability Covenant period, the Owner is subject to continuing home owner requirements, which are outlined in these Affordable Ownership Housing Regulations. In addition, if there is a Transfer of ownership during the Affordability Covenant period, the Affordable Ownership Unit must be sold at the Affordable Sales Price to a Home Buyer approved by the City.

The City staff is available to describe the Affordable Ownership Housing Program requirements. In addition, the City will distribute notice to Owners in advance of any City Council action to modify the Affordable Ownership Housing Regulations.

Affordable Ownership Housing Agreements

The principal mechanism the City uses to establish Affordable Ownership Units are the CC&Rs, Deeds of Trust, and other governing documents recorded against the home. While the individual terms of these agreements are controlling, these Affordable Ownership Housing Regulations address the following:

1. The eligibility criteria to be imposed on prospective home purchasers;
2. The procedures to be followed when buying, selling or Transferring units;
3. The methodology for setting the maximum sales price;
4. The establishment of the minimum and maximum down payments that can be made by Home Buyers;
5. The regulations that will be imposed on the financing and refinancing of Affordable Ownership Units;
6. The circumstances under which the Affordability Covenants will be subordinated to the deed of trust held by a mortgage lender;
7. The complaints and appeals process available to program participants; and
8. The monitoring and enforcement activities that will be undertaken by the City.

In the event there is an irreconcilable conflict between the City's Deed of Trust and the Affordable Ownership Housing Regulations or the CC&Rs, the City's Deed of Trust will control.

II. DEFINITIONS OF TERMS

"Affordability Covenant" shall mean the CC&Rs restricting the sales price of the Unit, and limiting the maximum income of any purchaser of the unit.

"Affordable Housing Administrator" has the day-to-day authority for making determinations related to these Affordable Ownership Housing Regulations. The Affordable Housing Administrator will be appointed by the Program Director.

"Affordable Ownership Housing Program" shall include ownership homes developed under the Inclusionary Housing Program, using the California Density Bonus Law, or developed with Agency financial assistance.

"Affordable Sales Price" shall mean the maximum price of an Affordable Ownership Unit, as calculated according to the formula described in these Affordable Ownership Housing Regulations. The formula is based on the requirements imposed by H&SC Section 50052.5.

"Affordable Ownership Unit" shall mean a home in Huntington Beach that is made affordable by CC&Rs that restrict ownership, occupancy and the Affordable Sales Price as described in these Affordable Ownership Housing Regulations.

"Affordability Period" shall be defined for each Affordable Ownership Unit Project. The covenant period will be identified in the CC&Rs that are recorded on legal title for each Affordable Ownership Unit. The covenant period will commence upon the close of escrow the first unit sold in each phase of the Affordable Ownership Project. At the end of the original term, the CC&Rs will expire.

"Agency" shall mean the Redevelopment Agency of the City of Huntington Beach.

"Agency Loan" shall mean a loan or any other form of financial assistance provided by the Agency to assist a qualifying household in the purchase an Affordable Ownership Unit.

"CC&Rs" shall the Covenants, Conditions and Restrictions executed by the City and the Owner of an Affordable Ownership Unit.

"City" shall mean the City of Huntington Beach, California.

"City Council" shall mean the City Council of the City of Huntington Beach.

"City Manager" is the City Manager of the City of Huntington Beach. The City Manager has the ultimate authority to evaluate appeals submitted in relation to these Affordable Ownership Housing Regulations.

"County" shall mean the County of Orange.

"County Median Income" shall mean the Median Income adjusted by actual household size as published annually by HCD for the County.

"Eligible Purchaser" shall mean a Home Buyer who meets the eligibility criteria set forth in these Affordable Ownership Housing Regulations.

"Fair Market Value" shall mean the value of the property as determined by a property appraisal performed by a licensed appraiser.

"Gift Funds" shall mean the gift funds a Home Buyer applies to the down payment on the purchase of a home.

"Gross Income" shall mean all income from whatever source from all adult household members derived as provided in the Internal Revenue Code (26 USC Section 61), whether or not exempt from Federal income tax. Such income includes, but is not limited to, the following:

1. Wages and salaries including overtime pay
2. Compensation for services, including fees, commissions, tips and bonuses
3. Net income derived from business
4. Gains derived from dealings in property
5. Interest
6. Rents
7. Royalties
8. Dividends
9. Alimony
10. Child Support
11. Annuities
12. Income from life insurance and endowment contracts
13. Pensions
14. Income from discharge of indebtedness
15. Distribution share of partnership gross income

16. Income in respect of a decedent
17. Income from an interest in an estate or trust
18. Public benefits including but not limited to AFDC, SSI, disability income
19. When a household has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the household assets or 10 percent of the value of such assets, whichever is greater.

"Home Buyer" shall mean the prospective purchaser of an Affordable Ownership Unit from the current Owner.

"Housing Cost" shall mean and include all of the following costs associated with ownership of an affordable home, calculated for a 12-month period:

1. Principal and interest on a mortgage loan at the defined interest rate;
2. Property tax and assessments;
3. Home Owner Association (HOA) fees;
4. Fire and casualty insurance covering replacement value of property improvements;
5. Property maintenance and repairs; and
6. A reasonable utility allowance, as determined by the City.

"HCD" means the California Housing and Community Development Department.

"H&SC" shall mean the California Health and Safety Code.

"HUD" shall mean the United States Department of Housing and Urban Development.

"Inclusionary Ordinance" shall mean the Inclusionary Housing Ordinance adopted by the City. The Inclusionary Ordinance is currently found in (Section 230.26 of the City Zoning Code.

"Inclusionary Housing Program" shall mean the City's program to implement the Inclusionary Ordinance.

"Low Income" refers to households whose incomes meet the standards defined by the H&SC Section 50079.5. Generally Low Income means household income that does not exceed 80% of the County Median Income, as adjusted for household size. However, the maximum household income amount for Low Income households shall be set at the amount published by HCD annually. Low Income is sometimes also referred to as Lower Income.

"Low Income Household" or "Lower Income Household" shall mean individuals or households who have an adjusted gross income that does not exceed Low Income.

"Median Income" is calculated by HCD using non-aggregated census income data and applying trending factors for metropolitan statistical areas (MSA) throughout the country. The MSA for Huntington Beach is Orange County.

"Median Income Household" shall mean individuals or households who have an adjusted gross income that does not exceed Median Income.

"Moderate Income" refers to households whose incomes meet the standards defined by the H&SC Section 50093. Generally, Moderate Income means household income that does not exceed 120% of the County Median Income, as adjusted for household size. The maximum household income amount for Moderate Income households shall be set at the amount published by HCD annually.

"Moderate Income Household" shall mean individuals or households who have an adjusted gross income that does not exceed Moderate Income.

"Mortgage Interest Rate " refers to the mortgage interest rate that must be used in the Affordable Sales Price calculation. The Mortgage Interest Rate is based on the 30-year, 90-day yield, fixed-interest rate for a fully amortizing loan with no points and no loan origination fees. The Mortgage Interest Rate will be the lowest pertinent rate published in Financial.com for the three months immediately preceding the proposed home purchase.

"Owner" shall mean the current owner of an Affordable Ownership Unit, having been approved by the City.

"Ownership Housing Project" refers to a market rate project that is subject to the City's Inclusionary Housing Ordinance, or is using the California Density Bonus Law, or is being developed with Agency financial assistance.

"Program Director" has the ultimate authority to evaluate appeals submitted to the terms of these Affordable Ownership Housing Regulations. The Program Director will be appointed by the City Manager

"Transfer" shall mean any sale, transfer, lease, exchange, assignment or conveyance of an Affordable Ownership Unit, including any portion or interest in an Affordable Ownership Unit or other disposition of any interest in an Affordable Ownership Unit, whether voluntary or involuntary.

The following Transfers shall not be considered a Transfer for purposes of ownership of an Affordable Ownership Unit. However, when such Transfers occur, the Owner shall provide notice to the City of any such disposition.

1. A Transfer resulting from the death of an Owner;
2. A Transfer by an Owner where the spouse becomes a co-owner of the Affordable Ownership Unit;
3. A Transfer of title to a spouse as part of divorce or dissolution proceedings; and
4. A Transfer by an Owner into a trust in which the Owner or Owners are beneficiaries.

"Very-Low Income" refers to households whose incomes meet the standards defined by the H&SC Section 50105. Generally Very-Low Income means household income that does not exceed 50% of the County Median Income, as adjusted for household size. The maximum household income amount for Very-Low Income households shall be the amount published by HCD annually.

"Very-Low Income Household" shall mean individuals or households who have an adjusted gross income that does not exceed Very-Low Income.

III. PROGRAM ADMINISTRATION

A. General

The Affordable Housing Administrator oversees the Affordable Ownership Units upon their completion. The activities include calculating Affordable Sales Prices, determining Home Buyer eligibility, approving Transfers, and monitoring program compliance.

B. Fair Housing Policy

Program participants must comply fully with all Federal, State, and local non-discrimination laws. Specifically, program participants shall not discriminate on account of race, color, sex, religion, sexual orientation, creed, ancestry, national or ethnic origin, age, family or marital status, handicap or disability, or deny any family or individual the opportunity to apply for or participate in the Affordable Ownership Housing Program.

C. Privacy Rights

All eligibility applications are held in strict confidence and are not considered public records (H&SC Section 34332). Requests for the City to release information involving a Home Buyer or Owner must be accompanied by a written release request from the Home Buyer or Owner and/or a court order, unless disclosure is authorized under Federal or State law.

H&SC Section 33334.3 requires redevelopment agencies to compile, maintain and make available to the public on the internet, a database of existing new and substantially rehabilitated units that are subject to income and affordability covenants. The on-line database will be updated annually and will include the following information:

1. The address and parcel number of the income restricted property.
2. The number of units and the number of bedrooms.
3. The year of construction completion.
4. The date when the affordability covenant or restriction was recorded.
5. The document number of the recording.
6. The expiration date of the covenant or restriction.
7. The date and document number of any covenants or notices that may be recorded when an ownership unit is resold.

D. City Includes Redevelopment Agency

These Affordable Ownership Housing Regulations shall apply equally to all affordable ownership programs administered by the City and the Agency. As used in these Regulations, the word 'City' means and includes the 'Agency'.

E. Authorization

The Program Director and/or a designee are authorized to sign all documents requiring approvals related to the sales, waivers, refinances, subordinations, and any non-substantial changes to these Affordable Ownership Housing Regulations.

F. Affordable Ownership Housing Regulations

Each Owner participating in the Affordable Ownership Housing Program will receive a copy of the Affordable Ownership Housing Regulations. These Regulations may be updated from time-to-time to increase the programs' effectiveness; modifications will require City Council approval. The transaction will include CC&Rs and a Deed of Trust that will be executed by the City and the Owner. In the event there is a conflict between the Deed of Trust and the Affordable Ownership Housing Regulations or the CC&Rs, the Deed of Trust will prevail.

IV. DETERMINATION OF ELIGIBLE PURCHASER

A. Prospective Home Buyer List

To assist the Owner in identifying potential purchasers, the City will create an interest list on the City's website. Sufficient information will be provided to allow prospective Home Buyers to determine whether they meet the eligibility standards imposed on the home. The prospective Home Buyers will then self-report their income information for use by the Owner. The following terms will be imposed on the interest list:

1. To remain in the database, prospective Home Buyers will be required to respond to an email request every 30 days.
2. The City does not bear any responsibility for the accuracy of the information submitted by prospective Home Buyers.
3. It is the Owner's responsibility to select an Eligible Purchaser.

The City cannot provide an assurance that the information submitted by prospective Home Buyers is accurate or complete, or that that the City will ultimately determine that the prospective Home Buyer is an Eligible Purchaser. That determination can only be made after the Home Buyer submits a complete Home Buyer Application.

B. Required Eligibility Documentation

Home Buyers will be required to furnish proof demonstrating their eligibility to purchase an Affordable Ownership Unit. Home Buyers unable to provide satisfactory evidence of income, assets, composition, or other qualifying criteria will not be considered Eligible Purchasers, and will not be allowed to purchase an Affordable Ownership Unit.

C. Home Buyer Eligibility Criteria

United States Citizenship/Legal Residency

Home Buyers and all household members must be United States Citizens or have the right to permanently reside in the United States. Acceptable citizenship documentation includes a birth certificate or a Permanent Resident Card.

Household and Unit Size Compatibility

Home Buyer households must be compatible with the size of the unit to be purchased. The maximum household sizes are set as follows:

Number of Bedrooms in the Home	Maximum Number of Occupants
1	3
2	5
3	7
4	9

Owner Occupancy

Home Buyers must certify that the Affordable Ownership Unit will be owner-occupied at all times, and will not be rented or leased.

Ownership of Other Residential Real Estate

Home Buyers may not own other residential property, including mobile home property, unless the property will be sold prior to or in conjunction with the purchase of an Affordable Ownership Unit.

Verifiable Income

All adult household members, except stay-at-home spouses or domestic partners and dependents, must have at least one continuous year of verifiable income and at least two years of income tax payment history in the United States at the time of application. This requirement is increased to two continuous years of verifiable personal and business income for self-employed individuals. To make accurate verification possible, Home Buyers may not have changed employment status within six months of application.

Co-Applicants

Co-applicants must demonstrate at least one full year of current joint residency at time of application.

Divorced or Separated Home Buyers

Divorced or legally separated household members must provide a copy of the divorce decree or legal separation document signed by a court officer. Otherwise separated married household members must demonstrate at least one year of complete financial and residential separation at time of application for the couple to be considered separate for purposes of determining eligibility. If this cannot be demonstrated, the couple must submit the application as co-applicants.

Joint Custody of Children

Home Buyers with joint custody of children must have custodial parent rights defined in a divorce decree for a child to be considered part of the household. This rule shall not be interpreted as disallowing children from living with parents with less than 50% custody rights; it is solely intended to be applied when determining household size for initial program eligibility.

Composition of Household

Once the application is submitted, the household composition cannot be altered.

D. Income Eligibility Criteria

Gross Income

The City will consider gross income for all adult household members when determining Home Buyer eligibility. In the event a Home Buyer uses a co-signer on a mortgage loan, the gross income of the co-signer will be considered part of the household income. The funds included in Gross Income are detailed in the definitions section of these Affordable Ownership Housing Regulations.

Maximum Income

The maximum allowable income is set forth for each project and/or unit by the Affordability Covenants or any other applicable affordable ownership housing agreement recorded on legal title to the property. Income levels include, but are not limited to Very-Low, Low, Median, and Moderate as defined in these Affordable Ownership Housing Regulations.

Minimum Income

Monthly household income must be at least twice as much as the monthly housing cost incurred by the Owner. Housing cost includes principal and interest on mortgage loans; property tax assessments; HOA dues; insurance costs; property maintenance and repairs costs; and utilities costs.

Household Assets

The total value of assets owned by a Home Buyer prior to the purchase of the home cannot exceed 50% of the purchase price of the Affordable Ownership Unit.

V. HOME BUYER APPLICATION AND DISCLOSURE DOCUMENTS

A. Program Application

Home Buyers must complete and submit the City's Home Buyer Application and all required attachments. The Affordable Housing Administrator will review the application for completeness and will notify the Home Buyer of any missing information and/or documents. Incomplete applications will not be considered for eligibility. Home Buyers will be given 10 business days to provide all missing information and/or documents. Failure to provide requested information and/or documents will constitute cause for denial of eligibility.

The Affordable Housing Administrator will evaluate the completed application to determine whether the Home Buyer is an Eligible Purchaser. The application must clearly demonstrate eligibility with respect to all Home Buyer Eligibility Requirements. Applications that do not provide satisfactory evidence of income, assets, or other qualifying criteria will not be approved.

At the written request of a Home Buyer, the Program Director or a designee, at his/her sole discretion, may waive certain Home Buyer Eligibility Requirements.

B. Submittal Requirements

Household Composition Documents

For all adult household members, the City will require a photocopy of a driver license or California photo identification. For minors, the City will require a copy of the birth certificate. If the birth certificate for a minor is not available, the City may accept the following: adoption papers, custody agreement, court-ordered assignment, or verification from a social services agency.

School Registration Documents

Adult household members who are dependents of the Home Buyer and who are full-time students will be required to provide copies of school transcripts or registration verification showing current full-time student status.

Evidence of Current Joint Residency

Co-applicants are required to demonstrate one full year of current joint residency. Acceptable verification may be in the form of the following: joint bank accounts or other shared financial history, leases or other evidence of cohabitation, or credit reports showing evidence of relationship.

Verification of Divorce or Separation Status

Divorced or legally separated household members must provide a copy of the divorce decree or legal separation document signed by a court officer. Married, but separated, couples must demonstrate at least one full year of complete financial and residential separation at time of application to be considered separated for purposes of determining eligibility. If this cannot be demonstrated, the couple must submit the application as co-applicants.

Financial Data

Authorization to Obtain Credit History

Each adult household member must authorize the City to obtain reports from credit reporting agencies. The City will determine when it is necessary to obtain one or more credit report(s) per individual. Such reports will be used only to confirm applicant information such as current and previous addresses, current and previous employers, marital status, loan history, income to debt ratio and other related information.

Mortgage Pre-Qualification Letter and Loan Application Packet

Home Buyers must submit a copy of a pre-qualification letter and full application packet from a licensed mortgage lender. The application packet will include, but shall not be limited to the typed and signed fully completed mortgage application, loan underwriting analysis, truth in lending disclosure, income verification, and credit verification.

The mortgage loan application packet will be used by the City to verify the following: residency history; employment history; income, liabilities; assets (including real estate ownership); United States residency status; and down payment and mortgage financing amounts.

Checking, Savings, and Investment Account Statements

Home Buyers must submit copies of the three most recent months of statements for all accounts, including checking, savings, or other investment accounts owned in part or full by all adult household members. These account statements must demonstrate evidence of funds for the identified down payment amount. These statements must also demonstrate current period and year-to-date income earned on each account through interest and/or dividends.

Tax Returns

All adult household members will be required to provide signed copies of their two most recent Federal income tax statements. These statements must include all schedules and attachments. Home Buyers unable to provide copies of Federal income tax statements will be required to obtain tax history printouts from the Internal Revenue Service. Home Buyers may be requested to sign an authorization for release of information to the City from the Internal Revenue Service for further verification of income. Referrals to the Internal Revenue Service may be made for confirmation of income statements on a case-by-case basis.

Home Buyers are required to submit the identified tax statements. Home Buyers unable to provide tax information for any reason will not be eligible to participate in the program.

Tax returns will be used by the City to verify the following: residency history; family composition; income history (including amounts and types of income); and real estate ownership.

Income Verification

Employment Income

In the order of preference, the following employment income verification sources listed below will be considered acceptable. The documentation must specify the amount and type of pay (i.e. wages, overtime wages, commissions, and bonuses), frequency of pay, and year to date earnings:

1. Check stubs or earning statements showing employee's gross pay per pay period and frequency of pay. The check stubs should include the year-end statement for the last full year of employment, and the most recent three months of pay periods.

2. Letter from the employer on company letterhead and signed by an authorized company representative.

Future income related to overtime, commissions and bonuses can be difficult to accurately predict; if necessary, these forms of income may be estimated based on historical amounts.

Income from a Business

Net income from a business owned in part or full by a Home Buyer will be considered when determining income eligibility. Net income is defined as business receipts or sales less expenses that are essential to the operation of the business.

To estimate current net business income, the City will require the two most recent Federal tax returns, four most recent quarterly tax filings, and one full year of business and personal checking, savings, and other investment account statements for all business owners/partners. Home Buyers with less than one full year of verifiable business income history will not be considered for eligibility to purchase an Affordable Ownership Unit.

Home Buyers must itemize gross business receipts or sales for the period covered by the most recent Federal tax return and forecast gross business receipts or sales for the year beyond the time of application. The Home Buyers must also itemize the business expenses that were applied to determine net business income for both periods.

The City will analyze all tax returns, quarterly tax filings, account statements, and income/expense forecasts when determining net business income. Home Buyers that are unable to provide satisfactory evidence of business income or expenses will be denied eligibility for purchase of an Affordable Ownership Unit.

Social Security, Pensions, Supplementary Security Income (SSI), Welfare, Disability Income

Home Buyers must submit a copy of their most recent award or benefit notification letter prepared and signed by the authorizing agency. At the Program Director's sole discretion, checks or bank deposit slips that show only net amounts remaining after deductions for SSI or Medicare may be accepted when award letters cannot be obtained.

Alimony or Child Support

Verification of alimony or child support income will be considered acceptable in the order listed:

1. Copy of a separation of settlement agreement or a divorce decree stating amount and type of support and payment schedules.
2. A notarized letter from the person paying the support notarized attesting to the amount and terms of support payments.
3. Federal income tax returns.

Residential Purchase Agreement

Home Buyers must submit a copy of the fully completed and executed Residential Purchase Agreement for the Affordable Ownership Unit. The City will review this agreement to verify the total purchase price, the deposit amount, the first trust deed mortgage terms and any secondary financing terms. The City has approval rights over any amendments to the Residential Purchase Agreement made after the submittal of a Home Buyer Application.

Terms that will not be allowed include, but are not limited to:

1. The escrow period cannot exceed 90 days.
2. The seller cannot lease the property back from the Home Buyer for more than one month following the close of escrow.
3. Buyers cannot be required to pay fees that are customarily paid by the seller.
4. Buyers cannot be required to pay any extraordinary fees.
5. No financing can be carried back by the seller.

Affordability Period

Under the current regulations, the Affordability Period will run for not less than 45 years. However, the Affordability Period for each Affordable Ownership Unit will be defined in the Deed of Trust and CC&Rs recorded on legal title to the property. In the event there is a conflict between the Deed of Trust and the Affordable Ownership Housing Regulations or the CC&Rs, the term identified in the Deed of Trust will prevail.

Disclosure Documents

Applicants and co-applicants must be listed as owners of the property. Applicants and co-applicants must execute the following documents:

Special Disclosure

Home Buyers are required to submit an original, fully completed and signed Special Disclosure on a form approved by the City that confirms that the Home Buyer received the Affordable Ownership Housing Regulations, and has had the opportunity to ask questions about the terms and conditions.

Certificate of Purchaser

Home Buyers are required to submit an original, fully completed and signed Certificate of Purchaser on a form approved by the City. This document must summarize the proposed purchase transaction, and include an acknowledgement by the Home Buyer of the CC&R's recorded by the City on the Affordable Ownership Unit.

Buyer and Seller Declaration

Home Buyers are required to submit a fully signed Buyer and Seller Declaration (with original signatures) stating that under penalty of perjury the parties have not entered into, and will not enter into any agreements, other than the Purchase Agreement for the purpose of exchanging money or other personal property with a cost of more than \$500.

Recorded Notice of CC&Rs

The City will record the CC&Rs imposed on the Affordable Ownership Unit. The CC&Rs will identify the income and affordability restrictions; and the covenant term.

Real Estate Transfer Disclosure

A Real Estate Transfer Disclosure Statement must be signed by both the seller and the Home Buyer. The Statement must include language approved by the City describing the affordable housing restrictions imposed on the property. The Home Buyer must also acknowledge in writing that restrictions will be imposed on the future resale of the property.

Promissory Note

The City and the Home Buyer must execute a Promissory Note in an amount equal to the difference between the estimated market value and the Affordable Sales Price of the unit at the time of sale.

Deed of Trust

The City will record a Deed of Trust on the property at an amount equal to the Promissory Note. The Deed of Trust will be used to ensure the affordability covenants are recorded on title, and will remain an obligation on the property throughout the defined covenant period.

VI. AFFORDABLE SALES PRICE

A. General Policy

Affordable Ownership Units can only be sold at the defined Affordable Sales Price. This price will be calculated based on the specific CC&Rs recorded on the Affordable Ownership Units. The Affordable Sales Price is the maximum price for which an Affordable Ownership Unit may be resold at any time during the Affordability Covenant period. The Affordable Sales Price is likely to be lower than the fair market value of the property.

The City's Affordable Ownership Housing Programs are subject to the following basic financial requirements:

1. An Owner that wishes to sell an Affordable Ownership Unit must submit a Request for the Maximum Affordable Sales Price to the Affordable Housing Administrator in order to determine the Affordable Sales Price for the home.
2. The Affordable Sales Price will be valid for 90 days. Once the Price is determined, it will not be modified during the 90-day period.
3. Prospective Home Buyers will be entitled to receive one free Affordable Sales Price determination per calendar year. Additional requests for Affordable Sales Price calculations will be subject to the current fee schedule established by resolution of the City Council. When applicable, fee payment must be made at time of application.

B. Affordable Sales Price Calculations

The Affordable Sales Price is equal to the Maximum Mortgage Amount plus the defined Down Payment. Both the Maximum Mortgage and the defined Down Payment must be calculated in accordance with the methodology defined in these Affordable Ownership Housing Regulations.

The amount of the Affordable Sales Price is calculated on the basis of the identified variables. Two especially important variables used in determining the Affordable Sales Price are the County Median Income and the mortgage interest rate. As these variables change over time, the Affordable Sales Price can increase or decrease; the Affordable Sales Price is in no way tied to market prices.

The calculation methodology, and the applicable variables, will be posted on the City's website. The actual calculation will be based on the Affordability Covenants executed between the City and the Owner.

The income and affordability requirements apply to any resales that occur throughout the original Affordability Covenant period. In the unusual event that the home's market value is less than the maximum allowable sales price, the market value will implicitly prevail.

Household Size

For the purposes of the Affordable Sales Price calculations, the household size is set at the number of bedrooms in the unit plus one. For example, the imputed household size for three-bedroom home is four persons. The H&SC Section 50052.5 refers to this as "the household size appropriate for the unit". However, this is not meant to be an occupancy cap; it is simply a benchmark used to create a consistent methodology for calculating the Affordable Sales Price.

Income

Projects developed under the Affordable Ownership Housing Program must adhere to the affordable housing cost methodology imposed by the Affordability Covenants imposed on the home. The standards currently being imposed by the Affordable Housing Program are based on the calculation methodology defined in H&SC Section 50052.5. H&SC Section 50052.5 uses the following household income levels to calculate the Affordable Sales Price:

1. Low Income: 70% of the County Median Income for a household size equal to the number of bedrooms in the unit plus one.
2. Moderate Income: 110% of the County Median Income for a household size equal to the number of bedrooms in the unit plus one.

Housing Related Expenses

The non-mortgage related expenses will be calculated based on standards defined by the City. The expenses and standards are as follows:

1. Property Taxes and Assessments: The tax rate applied to determine the annual property tax cost will be set at 1.08% of the purchase price of an Affordable Ownership Unit.

2. HOA Fees: The HOA fees will be set at the amount actually charged for the home being purchased.
3. The following costs will be set by the City annually, and will be posted on the City's website:
 - a. Fire and Casualty Insurance: The City will periodically survey local insurance companies to determine the typical annual cost of insuring a home for its replacement value.
 - b. Property Maintenance and Repairs: The City will apply a nominal cost allowance to cover the costs Owners will typically bear for maintaining their property over a one-year period.
 - c. Utilities: The City will apply utility cost allowances based on data published by the Orange County Housing Authority.

Supportable Mortgage Payments

The supportable mortgage payments will be established using the following equation:

Benchmark Annual Household Income
<u>(Less) Annual Housing Related Expenses</u>
Property Taxes and Assessments
HOA Fees
Fire and Casualty Insurance
Property Maintenance and Repairs
Utilities
Total Annual Housing Related Expenses
Income Available for Mortgage Payments

Maximum Mortgage Amount

The Maximum Mortgage Amount is equal to the present value of the Income Available for Mortgage Payments over a 30-year term. The discount rate used to determine the present value is set at the Mortgage Interest Rate. The Mortgage Interest Rate will be posted on the City's website, and will be updated monthly.

Down Payment

The Affordable Sales Price calculation is based on a benchmark down payment amount that is not tied to the actual down payment contributed by the Home Buyer. The amount set for Affordable Sales Price calculation purposes is 10% of the total purchase price.

The actual down payment amount will vary from unit-to-unit, and will not impact the Affordable Sales Price. Rather, the actual down payment will be subtracted from the Affordable Sales Price to determine the actual mortgage amount for the home.

VII. FINANCING REQUIREMENTS

A. Down Payment Requirements

Minimum and Maximum Down Payment

The minimum down payment is set at 5% of the total purchase price for the home, and the maximum down payment is set at 50% of the purchase price of the home. The Program Director or a designee has the authority to review and approve variations to the established minimum and maximum amounts.

Gift Funds

The City does not impose a cap on the amount of gift funds a Home Buyer can apply to the down payment on a home purchase. However, gift funds are included in the defined down payment cap.

B. Purchase Money Mortgage Requirements

1. The City may consider subordinating the income and affordability covenants to the mortgage financing used to purchase the home. This subordination will only be approved if the Program Director or a designee can make the finding that it would not be feasible for the Home Buyer to obtain conventional financing unless the covenants are subordinated to the mortgage financing.
2. Home Buyers must obtain conventional, fully amortizing, fixed interest rate mortgages with a term of at least 30 years. No interest only loans, negative amortization loans, balloon payment loans or variable interest rate loans will be allowed.
3. The loan to value ratio (LTV) of the mortgage(s) used to acquire the home cannot exceed the lesser of:
 - a. 95% of the property's appraised value, or
 - b. The Affordable Sales Price.
4. Many lenders allow borrowers to obtain a loan without providing verifiable income information; this is commonly referred to as a Stated-Income Loan. The use of this mortgage product may impair the City's ability to determine the Home Buyer's eligibility to participate in the City's Affordable Ownership Housing Program. Therefore, unless income can otherwise be documented to the

satisfaction and approval of the Program Director or a designee, Home Buyers will not be allowed to use Stated-Income Loans to finance the purchase of an Affordable Ownership Unit.

5. All primary mortgages and any secondary financing must be secured by a loan agreement and a deed of trust from banks or companies licensed to make home loans in California. Loans from family members, friends, or other non-licensed entities shall be considered gift funds to the Home Buyer, as defined in these Affordable Ownership Housing Regulations.

C. Refinancing Approved by the City

These Affordable Ownership Housing Regulations allow Owners to refinance their mortgage if the proposed refinancing complies with both of the following standards:

1. The mortgage amount can be based on the lender's standard underwriting criteria up to a maximum of an 80% loan to value ratio. The then current Affordable Sales Price must be used in the loan to value ratio calculation.
2. The debt service payments on the mortgage cannot exceed the then current Supportable Mortgage Payment.

The City may agree to subordinate the income and affordability covenants if the proposed refinancing complies with the requirements imposed by the Affordable Ownership Housing Regulations. Requests to subordinate the City's Deed of Trust must be made by Owners in a form approved by the Program Director. The completed form is subject to review and approval by the Program Director or a designee.

City approval of subordination requests are subject to the determination that the Owner is in compliance with program requirements and that the mortgage comports with the established requirements. In accordance with a City Council resolution, a subordination request fee will be imposed. The fee must be paid when the application is submitted.

Because subordination requests are often made to the City prior to the Owner's final determination of the debt amount, Owners may request revised subordination agreements free of charge within one month of the initial application. Requests for revisions to subordination agreements made beyond one month will require payment of a new subordination request fee.

VIII. CONTINUING OWNER REQUIREMENTS

A. General Policy

The City's Affordable Ownership Housing Programs are intended to provide affordable housing to residents who would otherwise have difficulty owning a home in Huntington Beach. It is not intended to help residents profit from property ownership. It is also not intended to allow Owners to take actions that are unreasonably risky thus jeopardizing the City's investment in affordable housing. The requirements below are designed to address these matters.

B. Owner Requirements

Principal Place of Residence

The Affordable Ownership Unit must be the household's only residence during the covenant period. On an annual basis, the City will send Owners an Ownership Annual Certification form to be filled out and returned to the City within 30 days of receipt. Owners will affirm that they are occupying the home as their principal residence. The Owner will be required to submit copies of two current utility bills as part of the annual recertification process. In addition, the City will undertake an annual review of the County Assessor's records to identify any title changes and home owner exemption claims.

A hardship provision adopted by the City Council allows the Owner to vacate the home for a maximum of one year during the covenant period if one of the following conditions exist:

1. A job relocation as evidenced by verification submitted by the employer.
2. A family illness as evidenced by verification submitted by a licensed physician.
3. Medical necessity as evidenced by verification submitted by a licensed physician.

Hardship exemptions must be approved by the Program Director or a designee. If the exemption is approved, the Owner may rent the unit for a maximum of one year during the covenant period. The unit must be rented to an Eligible Tenant at the Affordable Rent for the defined income category.

Make Payments on all Debts

Owners must remain current on their payments for all debts recorded against the property, including but not limited to mortgages, taxes, HOA dues, and assessments. Should a borrower default on any debt recorded against the property, a lien holder could initiate foreclosure proceedings against the Owner. Failure to remain in good standing with all creditors who have a claim against the property is a violation of Owner Requirements and will result in immediate action by the City.

Property Maintenance

Owners are required to maintain the interior and exterior of the Affordable Ownership Unit and the landscaping on the property in a manner consistent with community standards, and in accordance with all applicable City codes.

Transfer of Home

Transfers Explicitly Allowed by the Affordable Ownership Housing Regulations

The Owner must provide the City with written notice of any proposed Transfer of the home's ownership. City approval is required for voluntary or involuntary Transfers of any portion or interest in an Affordable Ownership Unit, with the following exceptions for Transfers that are explicitly allowed by the Affordable Ownership Housing Regulations:

1. A Transfer resulting from the death of an Owner;
2. A Transfer by an Owner where the spouse becomes a co-owner of the Affordable Ownership Unit;
3. A Transfer of title to a spouse as part of divorce or dissolution proceedings; and
4. A Transfer by an Owner into a trust in which the Owner or Owners are beneficiaries.

A beneficiary that inherits the home from an Owner is not required to meet the income requirements imposed by the CC&Rs recorded against the Affordable Ownership Unit. The beneficiary is required to fulfill all the other CC&R terms, including the Principal Place of Residence requirement. The beneficiary can invoke the hardship provision, which allows the Affordable Ownership Unit to be rented for up to one year to an Eligible Tenant at an Affordable Rent. Thereafter, the beneficiary must either reside in the unit, or sell the unit to an Eligible Purchaser at the Affordable Sales Price for the defined income category.

Transfers Requiring City Approval

The Owner must request City approval for any other voluntary or involuntary Transfers of any portion or interest in an Affordable Ownership Unit during the covenant term. To receive approval, the Owner must sell the unit to an Eligible Purchaser at the then current Affordable Sales Price.

IX. COMPLAINTS AND APPEALS

Complaints concerning the City's Affordable Ownership Housing Program should be made in writing and addressed to the Affordable Housing Administrator. Complaints will be accepted only if they are in writing and are received within 30 days from the event giving rise to the complaint. The Affordable Housing Administrator will contact the complainant to attempt to resolve the matter. A written response from the Affordable Housing Administrator will be made to the complainant within 10 business days.

If a complainant is not satisfied with the written response, a request for an appeal may be filed with the Program Director. The written request must set forth the reasons for the appeal and must be received by the Program Director within 15 days from the date of the Affordable Housing Administrator's written response. In the event the request does not meet these requirements, the complainant will be notified that the request is denied; otherwise, the complainant will be invited to meet with the Program Director. The Program Director will provide the complainant with an opportunity to advocate his/her position and to resolve the matter. The Program Director's response will be made in writing within 10 business days following the meeting.

X. MONITORING AND ENFORCEMENT

A. General Policy

The City is committed to assuring that its affordable housing resources reach only eligible households so that program integrity can be maintained. Owners are required to cooperate with the City in promptly providing all information requested by the City in monitoring compliance with program requirements.

B. Program Audits

City staff will maintain a high level of awareness to indicators of possible abuse and fraud by Home Buyers and Owners. Regular ongoing program audits shall include, but will not be limited to the following activities:

File Audits Upon Close of Purchase

Upon the close of a purchase transaction, the City will obtain the following information from the escrow company:

1. The original City Deed of Trust and notice of affordability restrictions on Transfer of property executed by the Owner and recorded on the property; and
2. Copies of:
 - a. The Promissory Note;
 - b. The final buyer and seller settlement statements; and
 - c. The buyer's title policy.

City staff will review these documents to ensure that the City's Deed of Trust and notice of affordability restrictions on Transfer were properly completed, executed, and recorded on legal title of the property. City staff will also ensure that the financial terms of the purchase transaction are consistent with those that were approved at the time of the application.

File Audits Upon Refinances

Requests by Owners for the City to subordinate its Deed of Trust to refinanced mortgage deeds of trust will be approved only upon determination that the Owner is in compliance with these Affordable Ownership Housing Regulations.

Owner Audits

The City will conduct periodic random quality control audits of Affordable Ownership Units to assure compliance with program rules and requirements. Such audits may include verification of continued ownership of Affordable Ownership Units by approved buyers, verification of Owner residency, verification of property tax records, and verification of utility billing records.

C. Program Abuse and Fraud Protections

City staff will investigate suspected program abuse and fraud as appropriate. Staff will take all necessary and appropriate steps, both administrative or legal, to enforce program requirements.

Referrals, Complaints, or Tips

The City will follow up on referrals that are received by mail, by telephone, or in person, which allege that a Home Buyer or Owner is violating program rules. Such follow up will be made providing that the referral contains at least one item of information that is independently verifiable. A copy of the written allegation or a summary of the verbal allegation will be placed in the Owner's or Home Buyer's file.

Internal File Review

The City will investigate instances where it discovers, as a result of administering the program, information or facts that conflict with previous file data, or are in any way discrepant with statements made by the Owner or Home Buyer.

Referrals to the City Attorney

In the event of a breach or potential breach of program requirements, the City may institute legal action to enforce compliance with the program requirements, and to enjoin any actions by Owners that violate program requirements. The City's legal remedies may additionally include the following:

1. Civil citations with monetary penalties for violations of the Affordable Ownership Housing Regulations;
2. Recovering any rent that may have been received by an Owner;
3. Reversing sales not approved by the City, and
4. Instituting foreclosure proceedings.

ATTACHMENT A

PROSPECTIVE OWNERS INTRODUCTION TO THE CITY OF HUNTINGTON BEACH AFFORDABLE OWNERSHIP HOUSING PROGRAM

**PROSPECTIVE HOME OWNER'S INTRODUCTION
TO THE
CITY OF HUNTINGTON BEACH
AFFORDABLE HOUSING PROGRAM**

HOUSING OWNERSHIP GOAL

The primary objective of the Affordable Housing Program is to provide affordable housing homeownership opportunities to residents who would otherwise have difficulty owning a home in Huntington Beach.

The City will determine if a potential buyer is an eligible affordable buyer (within the "Low, Median or Moderate Income" categories) and that the unit is being sold at an affordable sales price. For the duration of the required affordability period, (a minimum of 30 years) the participant is subject to affordable homeowner requirements. If the owner wishes to sell during the affordability period, the unit must be sold at an affordable sales price to a buyer approved by the City.

The program is not intended to allow the property owner to share in the increased value of the house. The intent is to allow residents to become property owners, and as their income increases it is anticipated that they will move on to purchase market rate housing. At that time the affordable unit will again become available to eligible home buyers.

The amount of the affordable sales price is calculated on the basis of defined variables. As these variables change, the affordable sales price can increase or decrease. Homeowners should understand that the affordable sales price can increase or decrease, and that the affordable sales price is in no way tied to market prices.

ELIGIBILITY CRITERIA

Income

Eligible incomes range from Low Income (generally defined as 80% of the County median) to Moderate Income (generally defined as 120% of the County median). The exact qualifying incomes are published annually for each income category by the California Department of Housing and Community Development.

The City will consider gross income for all adult household members when identifying the prospective home buyer's income category. If an applicant uses a co-signer on a mortgage loan, the gross income of the co-signer will be considered part of the household income.

Annual household income must be at least twice as much as the annual housing cost for the home being purchased. The annual housing cost includes mortgage, property taxes, homeowner association dues, utilities costs, insurance and maintenance.

Owner Occupancy

Applicants must certify that the housing unit will be owner-occupied at all times and will not be rented or leased.

Household Assets

The total value of assets owned by an applicant cannot exceed one-half of the purchase price of the home.

Minimum Down Payment

The minimum down payment is set at 5% of the total purchase price for the home. The maximum down payment is set at 50% of the purchase price for the home.

Gift Funds

The City does not impose a cap on the amount of gift funds a Home Buyer can apply to the down payment on a home purchase. However, gift funds are included in the defined down payment cap.

Ownership of Other Residential Real Estate

Applicants may not own other residential property, including mobile home property, unless the property will be sold prior to or in conjunction with the purchase of the income restricted unit.

Household and Unit Size Compatibility

The size of the applicant households must be compatible with the size of the unit to be purchased. The maximum household sizes are set as follows:

Number of Bedrooms in the Home	Maximum Number of Occupants
1	3
2	5
3	7
4	9

First Time Homebuyers

First time homebuyer requirements, when applicable, will be set forth in the affordable housing covenants recorded on legal title to the property and will require that all members of the household to be First Time Homebuyers.

US Citizenship/Legal Residency

Applicants and all household members must be United States Citizens or have the right to permanently reside in the United States.

Principal and Interest on Mortgage Debt (Mortgage Payments)

The supportable mortgage payments will be established based on benchmark standards imposed by California Health and Safety Code Section 50052.5. The calculation methodology is available on the City's website.

Maximum Mortgage

The maximum mortgage is equal to the amount that can be obtained given the supportable mortgage payment calculation. The interest factor applied to the mortgage calculation will be based on the Fannie Mae fixed interest rate for a 30-year fully amortizing loan. The interest rate used by the City is the mortgage interest rate based on the Fannie Mae Required Net Yields, 30-year, 90-day yield, as published at TheFinanicals.com.

FINANCIAL ASSISTANCE

As part of the administration of the City's Housing Program, the City has historically offered a down payment assistance loan program. These loans are intended to make affordable housing units more affordable to income eligible buyers. The loans accrue simple interest for the loan term and require no payments of principal or interest until the property transfers ownership, at such time, the homeowner may fully pay off the City loan. Alternatively, the City Council has authorized the loans to be assumed by subsequent eligible buyers. This Program is not currently being offered by the City.

CONTACT

Persons interested in purchasing an affordable housing unit through the City's Affordable Housing Program, must apply to and be approved by the Economic Development Department. It must be noted that the various homeownership programs offered by the City may have differing eligibility and continuing homeowner requirements. These requirements are detailed in the Affordable Housing Program Regulations approved by the City Council. Persons interested in obtaining this document and/or learning more about the City's affordable housing program may contact:

Denise Bazant
Housing Program Administrator
Economic Development Department
City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648
(714) 536-5470
dbazant@surfcity-hb.org

ATTACHMENT B

AFFORDABLE OWNERSHIP HOUSING PROGRAM FAQ'S

AFFORDABLE OWNERSHIP HOUSING PROGRAM FAQ'S CITY OF HUNTINGTON BEACH

1. WHY DOES THE CITY HAVE AN AFFORDABLE OWNERSHIP HOUSING PROGRAM?

Huntington Beach, like many coastal communities, has a shortage of housing that is affordable to middle-income working families. The affordable ownership housing program provides these households with the opportunity to own a home in the community. The City of Huntington Beach (City) currently administers covenants on over 400 homes. By requiring owners to adhere to resale restrictions, the City maintains the opportunity for new families to buy affordable housing units in Huntington Beach.

The City's affordable housing program reflects the community's desire as well as its legal obligation to address this issue. These homes have covenants recorded on legal title to ensure their continued affordability for a defined period. For the duration of this affordability period, the City governs the use and transfer of these homes. Affordable homes are required to be owner occupied, are not investment properties, and are not intended to generate market-rate equity growth for their owners.

2. HOW IS THE MAXIMUM AFFORDABLE PRICE OF MY HOME DETERMINED?

The maximum sales price is calculated according to the terms of the covenants and the deed of trust recorded by the City on legal title to the property. The Program Administrator will calculate the allowable sales price for a home when the seller submits a Request for Sales Price Calculation. This form is available at www.hbbiz.com, or by calling (714) 536-5470. Sales price calculations are valid for 90 days, and home owners are entitled to one free calculation per year. Home owners should understand that the affordable price is likely to be lower than the fair market value of the home.

The affordable sales price is based on the City's calculation of the supportable first trust deed mortgage amount plus a defined down payment. These amounts must be calculated in accordance with the methodology defined in the Affordable Ownership Housing Regulations. Two especially important variables used in determining the affordable sales price are the Orange County median income and the prevailing mortgage interest rate. As these variables change over time, the affordable sales price can increase or decrease; the affordable sales price is in no way tied to market prices.

The Regulations call for the mortgage interest rate to be based on a 30-year fully amortizing loan with a fixed-interest rate, with no points and no loan origination fees. The mortgage interest rate will be set at the lowest rate, that meets these standards, published in Financial.com for the three months immediately preceding the proposed home sale.

The other variables used in the affordable housing cost calculations are updated annually. These variables include the Orange County median income, the utilities allowances published by the Orange County Housing Authority, and the estimated maintenance and insurance costs. HOA fees are based on the actual fees charged by the Association in which the home is located.

3. DOES THE REAL ESTATE MARKET HAVE ANYTHING TO DO WITH THE PRICE OF MY HOME?

The maximum sales price formula is based solely on the defined household income level and the affordable housing cost variables. The formula is not based on real estate market conditions. However, in the unusual event that the home's market value is less than the maximum allowable sales price, it is likely that a prospective home buyer will not be willing to purchase the home at a price that exceeds the market value.

4. HOW DID THE BUILDER SET THE PRICE OF MY HOME, AND THE OTHER HOMES IN MY COMMUNITY?

Every new community built in Huntington Beach is required to go through a planning approval process, and it is during this process that the initial sales prices for the affordable homes are established. These prices are calculated prior to completion of the units so that builders can forecast sales revenues as well as construction costs, both of which are necessary for obtaining construction financing.

While the City establishes the maximum allowable sales prices, some builders sell early phase units for less than the maximum allowable prices, and then they make adjustments for units in more desirable locations or with upgrades. The City reviews and approves all sales to ensure that prices do not exceed the maximum affordable price. However, developers have full discretion to set the prices at less than the defined maximum affordable sales price.

5. CAN MAXIMUM AFFORDABLE SALES PRICES DECREASE?

The City's affordable housing costs formula allows prices to increase and decrease as the variables used in the calculations change. The affordable prices have increased in the past due to a combination of increases in the Orange County median incomes and decreases in mortgage interest rates. Home owners should understand, however, that program income limits can decrease, and interest rates can increase, which may lead to reductions in the affordable sales prices.

The City's intent is to establish maximum sales prices that are affordable to income-eligible buyers. If over time, the affordable housing costs increase for the targeted income group, the allowable sales price will increase. Similarly, if mortgage interest rates increase, and/or the Orange County median income decreases, the allowable sales price will decrease.

6. IS THERE A CAP ON THE AMOUNT THAT THE MAXIMUM AFFORDABLE SALES PRICES CAN INCREASE OR DECREASE?

There are no upper or lower limits on the maximum sales prices that will result from the City's affordable housing cost calculations. There have been periods of low mortgage interest rates, and significant increases in the Orange County median income, that have resulted in dramatically increasing affordable sales prices. It is similarly possible for the variables used in the affordable housing costs calculation formula to result in a reduction in the maximum affordable housing price. The City cannot predict whether the affordable sales price for a home will increase or decrease over time.

7. IF I WANT TO SELL MY HOME, AM I ALLOWED TO HAVE AN ARRANGEMENT WITH THE BUYER THAT IS SEPARATE FROM THE PURCHASE AGREEMENT?

Buyer and Seller Declarations must be submitted to the City prior to the sale of each home that is subject to affordability covenants. These Declarations must state that the purchase agreement is the only agreement being entered into for the purpose of exchanging money or personal property. These Declarations must also state that the parties have not entered into, and will not enter into, any other agreements for the purpose of exchanging money or other personal property with a cost of more than \$500. This means that any outside arrangement, for whatever purpose, is prohibited.

For example, a home owner cannot have an agreement to sell furniture or other personal property to the home buyer for a total price of more than \$500. The home owner equally cannot accept a cash payment for accepting a buyer's offer. Any such agreement, which is not fully disclosed in a purchase agreement, is prohibited and would trigger action by the City.

8. WHERE DOES IT SAY THAT THE CITY HAS THE RIGHT TO CONTROL THE SALE OF MY HOME?

There is an affordable housing covenant recorded on the legal title of every home in the City's affordable ownership housing program. This document, which escrow provides to each home owner at the time of purchase, describes the resale price controls and other use restrictions required by the City. Additional copies of these covenants can be obtained from a title company or from the City for a nominal fee.

**9. WERE THE CITY'S AFFORDABLE HOME OWNERSHIP RESTRICTIONS
DISCLOSED TO ME WHEN I BOUGHT MY HOME?**

The affordable housing restrictions were disclosed to every home owner on at least two occasions: at the time of application to the City and in escrow. Each home buyer's eligibility application includes several forms on which applicants acknowledge that their home must be owner occupied and that a future transfer of their home must be made at an affordable price to an income-eligible buyer. In escrow, each buyer signed a deed of trust to the City securing these affordability restrictions. Separately, escrow provided each buyer a copy of the affordable housing covenants recorded on legal title to the property. More specific administrative guidelines used by City staff for handling routine transactions, such as procedures for reviewing home buyer eligibility applications, are clearly set forth in the Affordable Ownership Housing Regulations, are reviewed by the City Council as necessary, and are available for public review.

**10. CAN I OPT OUT OF THE CITY'S AFFORDABLE HOME OWNERSHIP
PROGRAM?**

The covenants recorded on legal title to each property establish a term for the affordable housing restrictions. The City will not release home owners from their obligations until the covenant term expires.

**11. WHERE CAN I GET MORE INFORMATION ABOUT THE CITY'S AFFORDABLE
HOME OWNERSHIP PROGRAM?**

Detailed information about the City's housing programs can be found at www.hbbiz.com or by calling the Program Administrator at (714) 536-5470.

ATTACHMENT C

HOME BUYER APPLICATION & DISCLOSURES

CITY OF HUNTINGTON BEACH INCLUSIONARY HOUSING PROGRAM



- ALL DOCUMENTS IN THIS PACKET MUST INCLUDE ORIGINAL SIGNATURES ON CITY DOCUMENTS. ELECTRONIC SIGNATURES ARE NOT ACCEPTED.
- PLEASE ALLOW UP TO 10 BUSINESS DAYS UPON SUBMISSION OF COMPLETE PACKAGE FOR REVIEW.
- UPDATED APPLICATION AS OF JULY 2019.

HOMEBUYER APPLICATION

HOMEBUYER APPLICATION INSTRUCTIONS

1.	Fill out the application completely for all adults and children who are anticipated to live in the home. Unrelated applicants must show at least one full year of joint residency.
2.	All adult household members must have at least <u>one-full year of verifiable income</u> and Federal tax payment history in the United States at the time of application. Self-employed individuals must provide at least one continuous year of verifiable personal and business income .
3.	Gross income (before taxes and deductions) must be disclosed for all household members. Income includes any money received from any source, such as wages, interest, dividends, distributions, annuities, pensions, child support, alimony, etc.
4.	Changes in employment may not have occurred within six months of application (such as a job change, termination, or decrease in salary).
5.	Adult household members with no income must be a spouse or dependent of the applicant.
6.	Separated applicants (not yet divorced) must have verifiable evidence of at least one full year of complete financial and residential separation.
7.	Applicants with joint custody of children must verify at least 50% custody rights for a child to be considered part of the household.
8.	Applicants may not own other residential property, including mobile home property, unless such property will be sold prior to or in conjunction with the purchase of an affordable unit.
9.	First time homebuyers are required to pay a minimum down payment of 5% of the purchase price. Homebuyers who have owned residential property within three years are required to pay a minimum down payment of 10% of the purchase price.
10.	The City does not impose a cap on the amount of gift funds. However, gift funds are included in calculation of household assets and defined in down payment cap.
11.	The total value of liquid assets owned by an applicant cannot exceed one-half of the purchase price of the affordable home (assets do not include pension or retirement funds).
12.	Household income may not exceed the maximum income limit as stipulated for each Inclusionary Housing Program project (low, median, or moderate income).
13.	Household income cannot be less than the minimum amount required to pay the cost of owning a home. This amount is equal to twice the annual homeownership cost, which includes mortgage, insurance, taxes, maintenance, and homeowner association dues.
14.	Applicants must use conventional mortgage financing. Interest-only and stated-income loans are not allowed.
15.	Applicant households must be compatible with the size of the unit to be purchased. No more than two persons per bedroom plus one additional household person will be allowed.
16.	Applicants must certify that they will reside in the affordable unit as their primary residence annually. Each resident will be sent an Annual Certification.
17.	Applicants must have the right to permanently reside in the United States.
18.	The City of Huntington Beach reserves the right to request any documents and/or information needed to verify program eligibility. It is the applicant's responsibility to demonstrate eligibility to purchase an Inclusionary Housing Program home. Applicants unable to provide satisfactory evidence of income, assets, or other qualifying criteria will not be considered.



CITY OF HUNTINGTON BEACH INCLUSIONARY HOUSING PROGRAM HOMEBUYER ELIGIBILITY APPLICATION

This application must be completed, attached with all applicable required documents, signed by all applicants and submitted to the Housing Division. Applicants should complete this form as "Applicant" or "Co-applicant" as applicable. Co-applicant information must be provided for all adult household members and/or individuals to be designated on the property title. In such cases, Co-Applicant income and credit history will be used as a basis for eligibility qualification.

1. PROPERTY INFORMATION

Address of Property to be Purchased

Project / Neighborhood Name

2. APPLICANT / HOUSEHOLD INFORMATION

Name of Applicant

Name of Co-Applicant

Marital Status

Date of Birth

Marital Status

Date of Birth

Social Security #

Driver License #

Social Security #

Driver License #

Employment Status

Years at Current Address

Employment Status

Years at Current Address

Current Address

____ Own ____ Rent

Current Address

____ Own ____ Rent

Home / Work / Cell Phone

Email Address

Home / Work / Cell Phone

Email Address

If residing at current address for less than two years, complete the following:

Prior Address

____ Own ____ Rent

Prior Address

____ Own ____ Rent

List all additional adults and children anticipated to live in the home. Use additional pages if necessary.

1

Name

Date of Birth

Social Security #

Relationship to Applicant

Current Address (if different than applicant's)

Employment Status (if adult)

2

Name

Date of Birth

Social Security #

Relationship to Applicant

Current Address (if different than applicant's)

Employment Status (if adult)

3	Name	Date of Birth	Social Security #	Relationship to Applicant
	Current Address (if different than applicant's)		Employment Status (if adult)	
4	Name	Date of Birth	Social Security #	Relationship to Applicant
	Current Address (if different than applicant's)		Employment Status (if adult)	

List full names of all persons that will appear on the title of the home:

	Name	Relationship
1		
2		

3. HOUSEHOLD INCOME

List **gross monthly income** (before taxes and deductions) from all sources for all adult household members expected to live in the home. Consider the following as income: any money regularly received from any source. Use additional pages if necessary.

	Name	Name	Name
Employer Name Address Phone			
Position / Title			
Number of Years at this Job			
Base Employment Income			
Overtime / Bonuses / Commissions			
Dividends / Interest from Investments			
Pension / Social Security			
Child Support / Alimony			
Other (please describe)			
Total Monthly Income (add the Monthly Income Subtotal for all adult household members)			
Total Annual Household Income (Total Monthly Income x 12)			

Minimum Monthly Income Calculation

Add the following monthly Housing costs (from loan application, realtor, or mortgage lender/broker):

Mortgage Payment _____

Property Tax Payment (1.08%) _____

Homeowner Association Dues _____

Other Housing Costs _____
(insurance, maintenance, utilities)

TOTAL _____

(Total monthly housing costs cannot exceed 1/2 of mo. household income)

Maximum Income (2019 Income Limits)

Household Income cannot exceed the limit below for the appropriate income level and household size:

Household Size	Low Income Limit	Median Income Limit	Moderate Income Limit
1	\$66,500	\$68,550	\$82,250
2	\$76,500	\$78,300	\$94,000
3	\$85,500	\$88,100	\$105,750
4	\$94,950	\$97,900	\$117,500
5	\$102,500	\$105,750	\$126,900

4. HOUSEHOLD ASSETS

List checking, savings, and other investment accounts below for all adult household members. Use Addition pages if necessary.

Name and Address of Bank, S&L, Credit Union, Other

Name and Address of Bank, S&L, Credit Union, Other

Account #

Account Type

Account #

Account Type

Name(s) on Account

Balance

Name(s) on Account

Balance

Name and Address of Bank, S&L, Credit Union, Other

Name and Address of Bank, S&L, Credit Union, Other

Account #

Account Type

Account #

Account Type

Name(s) on Account

Balance

Name(s) on Account

Balance

Name and Address of Bank, S&L, Credit Union, Other

Name and Address of Bank, S&L, Credit Union, Other

Account #

Account Type

Account #

Account Type

Name(s) on Account

Balance

Name(s) on Account

Balance

Real Estate Owned

Address

Market Value of Property

Outstanding Mortgages/Liens

Owner Equity

() - () = ()

Cash Value of Retirement Accounts & Pension Funds

Cash Value of Other Assets

Total Value of Assets (Including Real Estate Equity)

5. HOUSEHOLD LIABILITIES

List outstanding liabilities for all adult household members, including auto loans, revolving charge accounts, real estate loans, alimony, child support, etc. Use additional pages if necessary.

Name and Address of Creditor		Name and Address of Creditor	
Account #	Monthly Payment	Account #	Monthly Payment
Name(s) on Acct.	Unpaid Balance	Name(s) on Acct.	Unpaid Balance
Name and Address of Creditor		Name and Address of Creditor	
Account #	Monthly Payment	Account #	Monthly Payment
Name(s) on Acct.	Unpaid Balance	Name(s) on Acct.	Unpaid Balance
Name and Address of Creditor		Name and Address of Creditor	
Account #	Monthly Payment	Account #	Monthly Payment
Name(s) on Acct.	Unpaid Balance	Name(s) on Acct.	Unpaid Balance
Name and Address of Creditor		Name and Address of Creditor	
Account #	Monthly Payment	Account #	Monthly Payment
Name(s) on Acct.	Unpaid Balance	Name(s) on Acct.	Unpaid Balance
Total Balance of Liabilities (add the Unpaid Balances of all Liabilities)			

6. PURCHASE INFORMATION

Name of Real Estate Agent May the City contact to ask questions about application? Yes ___ No ___ May the City contact to appraise of application status? Yes ___ No ___	Agent's Company Name & Address	Telephone & E-Mail
Name of Mortgage Lender/Broker Agent May the City contact to ask questions about application? Yes ___ No ___ May the City contact to appraise of application status? Yes ___ No ___	Lender/Broker Company Name & Address	Telephone & E-Mail
TOTAL Purchase Price of Property (including all associated costs) \$ _____ Initials (see note below) _____	Mortgage Amount(s) 1 st : _____ 2 nd : _____	Mortgage Terms

*Note: All adult household members must initial next to the Total Purchase Price of Property above, acknowledging that the price of the property is restricted under the City of Huntington Beach Affordable Housing Program. By initialing this price, you indicate your understanding and agreement that no payment will be made separate from this price and/or separate from the attached Residential Purchase Agreement by you or by anyone on your behalf.

7. SOURCES OF FUNDS FOR DOWN PAYMENT & CLOSING COSTS

List all funds intended to be used from bank accounts, Certificates of Deposit, mutual funds, and other sources for meeting down payment and closing costs needs:

	Source of Funds	Amount to be Used for Down Payment
1		
2		
3		

8. ADDITIONAL INFORMATION

Does any household member have any ownership interest in Real Estate?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, provide list of properties owned.
Will the Inclusionary Housing Program Unit be your permanent residence?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If no, attach explanation.
Do all household members have the right to permanently reside in the US?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If no, attach explanation.
Have any household members terminated employment in past 4 months?	<input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, attach explanation.

9. REQUIRED DOCUMENTS – SEE ATTACHED CHECKLIST

CERTIFICATION: I/We certify that the information provided in this Inclusionary Housing Program Eligibility Application is true and correct as of the date set forth opposite my/our signature(s) and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this application may result in civil liability and/or criminal penalties including, but not limited to fine or imprisonment or both and liability for monetary damages to the City, its agents, insurers, and any other person who may suffer any loss due to reliance upon any misrepresentation which I/we have made on this application.

Applicant's Signature	Date	Co-Applicant's Signature	Date
X		X	

Please Note: Before submitting your application to the City, check carefully to make sure you have neatly and completely filled out the application and attached all required documents. Illegible or incomplete applications will not be accepted. The City does not except electronic application submittals.

The City of Huntington Beach reserves the right to request any documents and/or information needed to verify program eligibility. It is the applicant's responsibility to demonstrate eligibility to purchase an Inclusionary Housing Program home. Applicants unable to provide satisfactory evidence of income, assets, or other qualifying criteria will not be considered.

CITY OF HUNTINGTON BEACH



INCLUSIONARY HOUSING PROGRAM

BACKGROUND & FINANCIAL INVESTIGATION AUTHORIZATION

THIS FORM MUST BE SIGNED BY ALL ADULT HOUSEHOLD MEMBERS

By signing below, you provide irrevocable consent to the City of Huntington Beach for a background investigation and review of your financial affairs, budget, outstanding accounts, obligations, and debt. You understand that information obtained by the City may be governed by the Fair Credit Reporting Act (15 USC 181 ET Seq.) as it may be amended from time to time. Credit information will be obtained for affordable housing program eligibility review purposes only, and not for credit granting purposes or credit repair. All adult household members must sign this consent, attesting that you are the true and correct individual described below. Use additional pages if necessary.

Full Legal Name (First, Middle, Last)	
Other names used in last 7 years	
Date of Birth	Social Security #
Current Address	
Prior addresses in last 7 years	
Signature	Date

Full Legal Name (First, Middle, Last)	
Other names used in last 7 years	
Date of Birth	Social Security #
Current Address	
Prior addresses in last 7 years	
Signature	Date



**CITY OF HUNTINGTON BEACH
INCLUSIONARY HOUSING PROGRAM
CERTIFICATE OF PURCHASER**

Applicant(s) _____

Property Address _____

The undersigned ("Applicant/Purchaser") hereby certify(ies) the following:

1. Purchaser is buying the residence ("Home" or the "Property") shown above with the intent to occupy the Home as the Purchaser's primary residence, and with the understanding that the Home cannot be rented or leased.
2. The purchase price of the Home is \$_____.
3. Purchaser's combined household **gross annual income** from all sources is \$_____.
4. The number of persons that will occupy the Home is _____.
5. Purchaser has read the Special Disclosure form attached hereto and understands the information contained therein.
6. Purchaser acknowledges and understands that a Declaration of Conditions, Covenants, and Restrictions for Property ("Resale Restrictions") is recorded on the Property and that the restrictions contained therein, including restrictions relating to the transfer and use of the Property, will remain on the Property and be applicable to any future resale of the Property so long as the Declaration of Conditions, Covenants, and Restrictions for Property ("Resale Restrictions") remain in effect.

Purchaser acknowledges that this certificate is being provided to the Economic Development Department of the City of Huntington Beach ("the City"), and that the City may rely on the statements made herein.

All persons taking title to the Home must sign this certificate.

Applicant

Co-Applicant

Signature: _____

Signature: _____

Print Name: _____

Print Name: _____

Date: _____

Date: _____

CITY OF HUNTINGTON BEACH



**INCLUSIONARY HOUSING PROGRAM
SPECIAL DISCLOSURE**

Applicant(s) _____

Property Address _____

The undersigned ("Applicant/Purchaser") who is buying the residence ("Home" or "Property") shown above, acknowledge(s) and understand(s) that a Declaration of Conditions, Covenants, and Restrictions for Property ("Resale Restrictions") is recorded on the Property and that the restrictions contained therein relate to the transfer and use of the Property. The undersigned specifically acknowledge(s) the following restrictions (all persons taking title to the home must initial each item below):

- _____ The Property must be the only residence of the owner.
- _____ The Property may not be rented or leased to any individual or household, this includes renting or leasing to family members of the owner.
- _____ Additional debt secured by the property or refinancing existing debt on the property must be approved in advance by the City. The City may establish limits on the amount of debt that may be secured by the Property.
- _____ Subsequent sales of the property will be subject to affordability restrictions, requiring the property to be sold at an affordable price to an income-eligible buyer.
- _____ Future maximum affordable sales prices of the property will be determined by the City and may be less than the fair market value of the home.
- _____ Ownership of the property may not be amended or transferred without prior approval by the City. Subsequent owners of the property must be income-eligible, and transfers must be made at an affordable sales price.
- _____ The owner may not discriminate against potential subsequent buyers based on their race, color, religion, sex, marital status, sexual orientation, national origin, or ancestry.

The undersigned has taken the requirements included in the Declaration of Conditions, Covenants, and Restrictions for Property ("Resale Restrictions"), as partially described in this Special Disclosure, into account prior to determining to purchase the Property.

All persons taking title to the Home must sign this Disclosure.

Applicant

Co-Applicant

Signature: _____

Signature: _____

Print Name: _____

Print Name: _____

Date: _____

Date: _____

Real Estate Transfer Disclosure Statement Language

The following language must be inserted exactly as written below into the Real Estate Transfer Disclosure Statement signed by both the seller and the buyer and attached to the Residential Purchase Agreement:

The Subject Property is an affordable housing unit in the City of Huntington Beach's Inclusionary Housing Program. The City of Huntington Beach has established a Maximum Price for this unit, and the Purchase Price in the Residential Purchase Agreement, does not exceed this amount. All consideration for the purchase of the Subject Property has been fully disclosed and described in the Residential Purchase Agreement, which will be submitted to the City of Huntington Beach for approval. Buyer and Seller acknowledge that there may be no agreement separate from the Residential Purchase Agreement between Buyer and Seller or any other parties related in any manner to the purchase of the Subject Property, which would include payment for personal property, upgrades to the Subject Property, gifts, or other arrangements that might circumvent the Maximum Price established by the City.



CITY OF HUNTINGTON BEACH INCLUSIONARY HOUSING PROGRAM NEW APPLICATION CHECKLIST

The following documents must be submitted, preferably, in the following order:

Please initial to
verify inclusion.

- 1 _____ The City Application. An original signature is needed.
- 2 _____ The Certificate of Purchaser. An original signature is needed.
- 3 _____ The Special Disclosure. An original signature is needed.
The Background and Financial Investigation Authorization. An original signature is needed.
- 4 _____ Copy of California driver's license or identification for all adult household members and copy of birth certificates of all dependents.
- 5 _____ Copy of Residential Purchase Agreement and Real Estate Transfer Disclosure Statement (with City-required affordable housing program disclosure language) signed by both the buyer and seller.
- 6 _____ Copy of complete loan packet from mortgage lender (stated income and interest only loans are not allowed). The loan packet must include the fully completed, typed and signed
7 _____ mortgage application,
pre-qualification letter,
loan underwriting analysis,
loan estimate and
conditions of final loan approval.
Copy of 3 most recent months of checking, savings, and other investment account statements for all adult household members. If self-employed, 12 months of personal and business account statements are required. Account statements must demonstrate sufficient funds for down payment.
- 8 _____ Copy of 3 most recent months of pay stubs. Pay stubs must clearly identify business name, employee name, salary rate, hours worked, pay period, gross income, and year to date income.
- 9 _____ Signed copies of 2 most recent years of federal tax returns (with all schedules and attachments), including W-2s and 1099s for all adult household members; if self employed, include 4 most recent quarterly tax filings
- 10 _____
- 11 _____ If applicable:
copy of divorce decrees evidencing dissolution of marriage, child custody, child support and/or spousal support,
copy of pension statement, Social Security or other income verification,
school registration for adult, full-time household members
evidence of sale of real estate. Sale of any residential real estate must be completed before final approval can be given for purchase on an Inclusionary Housing Program Unit, and/or
documentation of gift funds.

ATTACHMENT D

HOUSEHOLD INCOME CHART

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833
(916) 263-2911 / FAX (916) 263-7453
www.hcd.ca.gov



May 6, 2019

MEMORANDUM FOR: Interested parties

FROM: Zachary Olmstead, Deputy Director
Division of Housing Policy Development

SUBJECT: State Income Limits for 2019

Attached are briefing materials and State Income Limits for 2019 that are now in effect and replace 2018 State Income Limits. Income limits reflect updated median income and household income levels for extremely low-, very low-, low-, and moderate-income households for California's 58 counties. The 2019 State Income Limits are on the Department of Housing and Community Development (HCD) website at <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>.

State Income Limits apply to designated programs, are used to determine applicant eligibility (based on the level of household income) and may be used to calculate affordable housing costs for applicable housing assistance programs. Use of State Income Limits are subject to a particular program's definition of income, family, family size, effective dates, and other factors. In addition, definitions applicable to income categories, criteria, and geographic areas sometimes differ depending on the funding source and program, resulting in some programs using other income limits.

The attached briefing materials detail California's 2019 Income Limits and were updated based on: (1) changes to income limits the U.S. Department of Housing and Urban Development (HUD) released on April 24, 2019 for its Public Housing, Section 8, Section 202 and Section 811 programs and (2) adjustments HCD made based on State statutory provisions and its 2013 Hold Harmless (HH) Policy. Since 2013, HCD's HH Policy has held State Income Limits harmless from any decreases in household income limits and median income levels that HUD may apply to the Section 8 Income Limits. HUD determined its HH Policy was no longer necessary due to federal law changes in 2008 (Public Law 110-98) prohibiting rent decreases in federal or private activity bond funded projects.

For questions concerning State Income Limits, please contact HCD staff at (916) 263-2911.

2019 State Income Limits Briefing Materials

California Code of Regulations, Title 25, Section 6932

Overview

The Department of Housing and Community Development (HCD), pursuant to Health & Safety Code Section 50093(c), must file updates to its State Income Limits with the Office of Administrative Law. HCD annually updates these income limits based on U.S. Department of Housing and Urban Development (HUD) revisions to the Section 8 Income Limits that HUD released on April 24, 2019.

HUD annually updates its Section 8 Income Limits to reflect changes in median family income levels for different size households and income limits for extremely low-, very low-, and low-income households. HCD, pursuant to statutory provisions, makes the following additional revisions: (1) If necessary, increase a county's area median income to equal California's non-metropolitan median income, (2) adjusts area median income and household income category levels to not result in any decrease for any year after 2009 pursuant to HCD's February 2013 Hold Harmless (HH) Policy. HCD's HH Policy was implemented to replace HUD's HH Policy, discontinued in 2009, to not decrease income limits and area median income levels below a prior year's highest level and, (3) determines income limits for California's moderate-income category.

Following are brief summaries of technical methodologies used by HUD and HCD in updating income limits for different household income categories. For additional information, please refer to HUD's briefing materials at <https://www.huduser.gov/portal/datasets/il/il19/IncomeLimitsMethodology-FY19.pdf>.

HUD Methodology

HUD Section 8 Income Limits begin with the production of median family incomes. HUD uses the Section 8 program's Fair Market Rent (FMR) area definitions in developing median incomes, which means developing median incomes for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county. The 2019 FMR area definitions for California are unchanged from last year. HUD calculates Section 8 Income Limits for every FMR area with adjustments for family size and for areas with unusually high or low family income or housing-cost-to-income relationships.

Extremely Low-Income

In determining the extremely low-income limit, HUD uses the Federal Poverty Guidelines, published by the Department of Health and Human Services. HUD compares the appropriate poverty guideline with 60% of the very low-income limit and choose the greater of the two. The value may not exceed the very low-income level.

Very Low-Income

The very low-income limits are the basis for all other income limits. The very low-income limit typically reflects 50 percent of median family income (MFI) and HUD's MFI figure generally equals two times HUD's 4-person very low-income limit. HUD may adjust the very low-income limit for an area or county to account for conditions that warrant special considerations. As such, the very low-income limit may not always equal 50% MFI.

Low-Income

In general, most low-income limits represent the higher level of: (1) 80 percent of MFI or, (2) 80 percent of state non-metropolitan median family income. However, due to adjustments that HUD sometimes makes to the very low-income limit, strictly calculating low-income limits as 80 percent of MFI could produce unintended anomalies inconsistent with statutory intent (e.g. very low-income limits being higher than low-income limits). Therefore, HUD's briefing materials specify that, with some exceptions, the low-income limit reflect 160 percent of the very low-income limit.

2019 State Income Limits Briefing Materials California Code of Regulations, Title 25, Section 6932

HUD may apply additional adjustments to areas with unusually high or low housing-costs-to-income relationships and for other reasons. This could result in low-income limits exceeding MFI.

Median Family Income/Area Median Income

HUD references and estimates the MFI in calculating the income limits. California law and State Income Limits reference Area Median Income (AMI) that, pursuant to Health & Safety Code 50093(c), means the MFI of a geographic area, estimated by HUD for its Section 8 Program.

HUD's calculations of Section 8 Income Limits begin with the production of MFI estimates.

This year, MFI estimates use the 2016 American Community Survey. HUD then adjusts the survey data to account for anticipated income growth by applying the Consumer Price Index inflation forecast published by the Congressional Budget Office through mid-2019. HUD uses the MFI to calculate very low-income limits, used as the basis to calculate income limits for other income categories. For additional information, please see HUD's methodology describing 2019 MFI's at <https://www.huduser.gov/portal/datasets/il/il19/Medians-Methodology-FY19r.pdf>.

Adjustment Calculations

HUD may apply adjustments to areas with unusually high or low family income, uneven housing-cost-to-income relationship, or other reasons. For example, HUD applies an increase if the four-person very low-income limit would otherwise be less than the amount at which 35 percent of it equals 85 percent of the annualized two-bedroom Section 8 FMR (or 40th percentile rent in 50th percentile FMR areas). The purpose is to increase the income limit for areas where rental-housing costs are unusually high in relation to the median income.

In certain cases, HUD also applies an adjustment to the income limits based on the state non-metropolitan median family income level. In addition, HUD restricts adjustments so income limits do not increase more than five percent of the previous year's very low-income figure OR twice the increase in the national MFI, whichever is greater. For the 2019 income limits, the maximum increase is 10% from the previous year. This adjustment does not apply to the extremely low-income limits.

Please refer to HUD briefing materials for additional information on the adjustment calculations.

Income Limit Calculations for Household Sizes Other Than 4-Persons

The income limit statute requires adjustments for family size. The legislative history and conference committee report indicates that Congress intended that income limits should be higher for larger families and lower for smaller families. The same family size adjustments apply to all income limits, except extremely low-income limits, which are set at the poverty income threshold. They are as follows:

Number of Persons in Household:	1	2	3	4	5	6	7	8
Adjustments:	70%	80%	90%	Base	108%	116%	124%	132%

Income Limit Calculations for Household Sizes Greater Than 8-Persons

For households of more than eight persons, refer to the formula at the end of the table for 2019 Income Limits. Due to the adjustments HUD can make to income limits in a given county, table data should be the only method used to determine program eligibility. Arithmetic calculations are applicable only when a household has more than eight members. Please refer to HUD's briefing material for additional information on family size adjustments.

2019 State Income Limits Briefing Materials

California Code of Regulations, Title 25, Section 6932

HCD Methodology

State law (Health & Safety Code Section 50093, et. seq.) prescribes the methodology HCD uses to update the State Income Limits. HCD utilizes HUD's Section 8 Income Limits. HCD's methodology involves: (1) if necessary, increasing a county's median income established by HUD to equal California's non-metropolitan county median income determined by HUD, (2) applying HCD's HH Policy, in effect since 2013, to not allow decreases in area median income levels and household income category levels, (3) applying to the median income the same family size adjustments HUD applies to the income limits, and (4) determining income limit levels applicable to California's moderate-income households defined by law as household income not exceeding 120 percent of county area median income.

Area Median Income and Income Category Levels

HCD, pursuant to federal and State law, adjusts median income levels for all counties so they are not less than the non-metropolitan county median income established by HUD (\$64,800 for 2019). Next, HCD, for all counties, applies its HH policy to ensure area median income and income limits for all household income categories do not fall below any level achieved in the prior year.

Moderate-Income Levels

HCD is responsible for establishing California's moderate-income limit levels. After calculating the 4-person area median income (AMI) level as previously described, HCD sets the maximum moderate-income limit to equal 120 percent of the county's AMI.

Applicability of California's Official State Income Limits

Applicability of the State Income Limits are subject to particular programs as program definitions of factors such as income, family, and household size vary. Some programs, such as Multifamily Tax Subsidy Projects (MTSPs), use different income limits. For MTSPs, separate income limits apply per provisions of the Housing and Economic Recovery Act (HERA) of 2008 (Public Law 110-289). Income limits for MTSPs are used to determine qualification levels as well as set maximum rental rates for projects funded with tax credits authorized under Section 42 of the Internal Revenue Code (Code). In addition, MTSP income limits apply to projects financed with tax-exempt housing bonds issued to provide qualified residential rental development under Section 142 of the Code. These income limits are available at <http://www.huduser.org/datasets/mtsp.html>.

County	Income Category	Number of Persons in Household							
		1	2	3	4	5	6	7	8

Last page instructs how to use income limits to determine applicant eligibility and calculate affordable housing cost and rent

Modoc County Area Median Income: \$64,800	Extremely Low	13650	16910	21330	25750	30170	34590	39010	42800
	Very Low Income	22700	25950	29200	32400	35000	37600	40200	42800
	Low Income	36300	41500	46700	51850	56000	60150	64300	68450
	Median Income	45350	51850	58300	64800	70000	75150	80350	85550
	Moderate Income	54450	62200	70000	77750	83950	90200	96400	102650

Mono County Area Median Income: \$81,200	Extremely Low	17050	19500	21950	25750	30170	34590	39010	43430
	Very Low Income	28450	32500	36550	40600	43850	47100	50350	53600
	Low Income	44750	51150	57550	63900	69050	74150	79250	84350
	Median Income	56850	64950	73100	81200	87700	94200	100700	107200
	Moderate Income	68200	77950	87700	97450	105250	113050	120850	128650

Monterey County Area Median Income: \$74,100	Extremely Low	18900	21600	24300	26950	30170	34590	39010	43430
	Very Low Income	31450	35950	40450	44900	48500	52100	55700	59300
	Low Income	50300	57500	64700	71850	77600	83350	89100	94850
	Median Income	51850	59300	66700	74100	80050	85950	91900	97800
	Moderate Income	62250	71100	80000	88900	96000	103100	110250	117350

Napa County Area Median Income: \$100,400	Extremely Low	21100	24100	27100	30100	32550	34950	39010	43430
	Very Low Income	35150	40200	45200	50200	54250	58250	62250	66300
	Low Income	55650	63600	71550	79500	85900	92250	98600	104950
	Median Income	70300	80300	90350	100400	108450	116450	124500	132550
	Moderate Income	84350	96400	108450	120500	130150	139800	149400	159050

Nevada County Area Median Income: \$85,100	Extremely Low	16750	19150	21550	25750	30170	34590	39010	43430
	Very Low Income	27900	31900	35900	39850	43050	46250	49450	52650
	Low Income	44650	51000	57400	63750	68850	73950	79050	84150
	Median Income	59550	68100	76600	85100	91900	98700	105500	112350
	Moderate Income	71450	81700	91900	102100	110250	118450	126600	134750

Orange County Area Median Income: \$97,900	Extremely Low	24950	28500	32050	35600	38450	41300	44150	47000
	Very Low Income	41550	47500	53450	59350	64100	68850	73600	78350
	Low Income	66500	76000	85500	94950	102550	110150	117750	125350
	Median Income	68550	78300	88100	97900	105750	113550	121400	129250
	Moderate Income	82250	94000	105750	117500	126900	136300	145700	155100

Placer County Area Median Income: \$83,600	Extremely Low	17600	20100	22600	25750	30170	34590	39010	43430
	Very Low Income	29300	33450	37650	41800	45150	48500	51850	55200
	Low Income	46850	53550	60250	66900	72300	77650	83000	88350
	Median Income	58500	66900	75250	83600	90300	97000	103650	110350
	Moderate Income	70200	80250	90250	100300	108300	116350	124350	132400

Plumas County Area Median Income: \$70,700	Extremely Low	14650	16910	21330	25750	30170	34590	39010	43430
	Very Low Income	24400	27850	31350	34800	37600	40400	43200	45950
	Low Income	39000	44600	50150	55700	60200	64650	69100	73550
	Median Income	49500	56550	63650	70700	76350	82000	87650	93300
	Moderate Income	59400	67900	76350	84850	91650	98450	105200	112000

ATTACHMENT E

UTILITY ALLOWANCE

2019 Utility Allowance Schedule

The following Utility Allowances will be used by the Orange County Housing Authority (OCHA) for administration of the Housing Choice Voucher Program effective October 1, 2018.

Bedroom	0	1	2	3	4	5+
Gas						
Cooking	4	4	6	8	10	12
Heating	17	19	22	23	26	28
Water Heating	9	11	15	21	27	32
Electric						
Basic	25	29	43	58	74	91
Cooking	5	6	12	16	20	24
Heating	18	21	23	26	31	39
Water Heating	17	21	29	35	41	47
Other						
Water	32	34	47	66	86	105
Trash/Sewer	29					
Refrigerator	9					
Stove	7					

Orange County Housing Authority

1770 N. Broadway, Santa Ana CA. 92706 * Phone (714) 480-2700 FAX (714) 480-2945

ATTACHMENT F

AFFORDABLE SALES PRICE CALCULATION



City of Huntington Beach
Economic Development Department, Housing Division
2000 Main Street, 5th Floor
Huntington Beach, California 92648
(714) 536-5470

**REQUEST FOR MAXIMUM AFFORDABLE SALES PRICE
INCLUSIONARY HOUSING PROGRAM**

Homeowners are entitled to one complimentary Affordable Sales Price Calculation per calendar year, no more frequently than once every three months. The price given will be valid for three months and will not be recalculated within this time. Should the price expire, and the homeowner wish to submit a new request, the City will charge a \$50 application fee. Completed applications (and fee payment, if applicable) should be submitted to the Housing Division. The property owner(s) and the owner's Realtor will receive a written response within 10 business days.

Owner(s) Name	Name of Neighborhood / Affordability Level (circle one) Ash St. Condos (Median Income) Brisas del Mar (Low Income / Moderate Income) Cape Ann (Moderate Income) Greystone Keys (Moderate Income) Pacific Park Villas (Low Income / Moderate Income) Promenade (Moderate Income) Tides (Moderate Income) Other _____
Owner's Daytime Phone Number & FAX Number	
Property Address	
Number of Bedrooms	Mailing Address, if Different
Date of anticipated sale	Name/Address/Phone of Management Company
The City maintains a list of affordable homes for sale in print and on the web. Would you like your property added to this list? Yes / No	Total Amount of Homeowner Association Dues
Name of Real Estate Agent	Real Estate Agent's phone & FAX numbers
Real Estate Agent's Company Name & Address	Real Estate Agent's Email

CERTIFICATION: I/We certify that the information provided in this sales price determination request is true and correct as of the date set forth opposite my/our signature(s) on this request and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this request may result in civil liability and/or criminal penalties including, but not limited to fine or imprisonment or both and liability for monetary damages to the City, its agents, insurers, and any other person who may suffer any loss due to reliance upon any misrepresentation which I/we have made on this request.

Homeowner's Signature	Date	Co-Owner's Signature	Date
X		X	

For City Use Only	
MAXIMUM SALES PRICE:	_____
THIS PRICE WILL BE VALID UNTIL (90 DAYS FROM REQUEST):	_____
PREPARED BY: _____	DATE _____

AFFORDABLE HOUSING RESALE INSTRUCTIONS

1	<p>Obtain the maximum affordable sales price for your home from the City by submitting to the Housing Division a Request for Maximum Affordable Sales Price. The price formula and sample calculations can be viewed at http://www.huntingtonbeachca.gov/government/departments/ED/housing/home_ownership.cfm. Be sure to indicate on your application if you would like your property added to the City's list of affordable homes for sale. Please note that this price will be valid for three months and cannot be recalculated during this period. If the price expires and the home is not sold, you must submit a new request to obtain the current maximum affordable sales price for your home, together with the City's \$50 application fee.</p>
2	<p>Detailed information about the Inclusionary Housing Program, including current income limits and eligibility requirements, can be found at http://www.huntingtonbeachca.gov/government/departments/ED/housing/home_ownership.cfm.</p>
3	<p>Select a buyer you believe meets the Inclusionary Housing Program eligibility requirements.</p>
4	<p>Execute a Residential Purchase Agreement with one buyer. Make sure the purchase amount does not exceed your home's maximum Affordable Sales Price. The purchase agreement should include a clause that requires the purchaser to obtain City approval; permanent fixtures in the property may not be excluded from the sale; escrow, title, commissions, and other costs must be paid by the party that normally pays such costs; and any agreements separate from the purchase agreement (for the sale of personal property, for example) are prohibited. However, home buyers may purchase durable goods from the seller at a cost of no more than \$500.</p>
5	<p>Execute a Real Estate Transfer Disclosure Statement with the following language:</p> <p style="padding-left: 40px;">The Subject Property is an affordable housing unit in the City of Huntington Beach's Inclusionary Housing Program. The City of Huntington Beach has established a Maximum Price for this unit, and the Purchase Price in the Residential Purchase Agreement, does not exceed this amount. All consideration for the purchase of the Subject Property has been fully disclosed and described in the Residential Purchase Agreement, which will be submitted to the City of Huntington Beach for approval. Buyer and Seller acknowledge that there may be no agreement separate from the Residential Purchase Agreement between Buyer and Seller or any other parties related in any manner to the purchase of the Subject Property, which would include payment for personal property, upgrades to the Subject Property, gifts, or other arrangements that might circumvent the Maximum Price established by the City.</p>
6	<p>Instruct the buyer to submit to the Housing Division a completed Homebuyer Eligibility Application with all required attachments. Applications are available at http://www.huntingtonbeachca.gov/government/departments/ED/housing/home_ownership.cfm. The City will accept only one application at a time per unit, and the application must include a Residential Purchase Agreement signed by both the Buyer and Seller.</p>
7	<p>Homebuyer applications will be reviewed by the City within 10 business days.</p>
8	<p>If the City requires additional information or documentation from the applicant, notices will be faxed or e-mailed to the Buyer's and Seller's Realtors.</p>
9	<p>Upon City approval of the Buyer, a Notice of Approval will be mailed to the Buyer and Seller, and a copy will be sent to the Buyer's and Seller's Realtors. This Notice of Approval will include instructions for your Escrow Company.</p>
10	<p>Upon receipt of information and documents from Escrow, the City will prepare additional documents for the Buyer and Seller to sign in Escrow.</p>

CITY OF HUNTINGTON BEACH

Affordable Housing Program

2011 Illustrative Sales Prices

	1-Bedroom	2-Bedrooms	3-Bedrooms	4-Bedrooms
Low-Income				
Income Basis (70% of Median) ¹	\$ 47,145	\$ 53,060	\$ 53,060	\$ 63,665
Income for Housing (35%) ²	16,501	18,571	20,629	22,283
(Less) Ongoing Expenses ²	<u>6,364</u>	<u>6,811</u>	<u>7,518</u>	<u>7,940</u>
Income Available for Mortgage	<u>10,137</u>	<u>11,760</u>	<u>13,111</u>	<u>14,343</u>
Maximum Price ³	\$174,837	\$202,845	\$226,137	\$247,391
Median-Income				
Income Basis ¹	\$ 67,350	\$ 78,500	\$ 84,200	\$ 90,950
Income for Housing (35%) ²	23,573	26,530	29,470	31,833
(Less) Ongoing Expenses ²	<u>8,618</u>	<u>9,204</u>	<u>10,050</u>	<u>10,582</u>
Income Available for Mortgage	<u>14,955</u>	<u>17,326</u>	<u>19,420</u>	<u>21,250</u>
Maximum Price ³	\$257,943	\$298,851	\$334,968	\$366,527
Moderate-Income				
Income Basis (110% of Median) ¹	\$ 74,085	\$ 83,380	\$ 92,620	\$ 100,045
Income for Housing (35%) ²	25,930	29,183	32,417	35,016
(Less) Ongoing Expenses ²	<u>8,250</u>	<u>8,882</u>	<u>9,774</u>	<u>10,344</u>
Income Available for Mortgage	<u>17,680</u>	<u>20,301</u>	<u>22,643</u>	<u>24,672</u>
Maximum Price ³	\$304,954	\$350,162	\$390,553	\$425,547

1. The Income Basis for calculating affordable home prices equals the income limit for a family size equal to the number of bedrooms, plus one. (For example, the price for a three-bedroom home uses the income limit for a four-person household).

2. Ongoing Expenses include HOA dues, homeowner's insurance, utilities, interior property maintenance and property taxes.

3. Assumes 30-year mortgage term, 5.00% interest rate, and 10% down payment (actual Fannie Mae 30-year mortgage rate published on www.thefinancials.com, FNMA 30y fix yld 90d, Tuesday through Friday)