



# County of Santa Cruz

---

## PLANNING DEPARTMENT

701 OCEAN STREET, 4<sup>TH</sup> FLOOR, SANTA CRUZ, CA 95060

(831)454-2580 FAX: (831)454-2131 TDD: (831)454-2123

ALVIN D. JAMES, DIRECTOR

January 30, 2002

Agenda: February 5, 2002

Board of Supervisors  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060

### AFFORDABLE HOUSING ORDINANCE AMENDMENTS

Members of the Board:

On January 15, 2002, your Board considered a number of recommended amendments to the County's Affordable Housing Ordinance (Chapter 17.10). These amendments were a result of your Board's review of the Housing Action Plan presented by the County Administrative Office on November 6, 2001. These recommendations included the following:

1. increase the affordable housing requirement from 15% to 20%;
2. expand the inclusionary percentage requirement to projects of two or more units;
3. eliminate the in-lieu fees;
4. eliminate 'rounding' of the inclusionary unit obligation and calculate the number of inclusionary units to be exactly equal to the inclusionary percentage of the number of eligible units;
5. create a developer financed Measure J Home Purchase Fund; and
6. delete the current provision which exempts demolished units from the inclusionary requirement.

Following your Board's January 15<sup>th</sup> deliberations on proposed amendments to Chapter 17.10, staff was directed to analyze the effects of the first two proposed changes to the County Affordable Housing Ordinance (increasing the affordability requirement from 15% to 20% and applying the ordinance to projects of two or more dwelling units instead of 5 or more units) to determine their effects on the developers. Elsewhere on today's agenda, the Planning Department has submitted a separate letter discussing the need to defer action on these two amendments, pending completion of additional staff analysis. However, in the interim, given your Board's interest in addressing affordable housing issues, it is recommended that your Board initiate an ordinance amendment to address items number 3-6 above. Accordingly, staff has included a proposed ordinance amendment to address these issues (Attachment 1) and the corresponding revisions to the County's Affordable Housing Guidelines (Attachment 2).

The proposed amendments, which were unanimously approved by your Board in concept on November 6, 2001, will enhance the County's affordable housing program in the following ways:

Eliminate 'rounding' - As discussed in the November 6<sup>th</sup> letter, the current ordinance specifically

allows projects with an affordable housing requirement of 0.50 or less to round down. As a result, the actual percentage of inclusionary units built in each project varies widely. For example, a 5 unit project must provide one affordable unit, which equals a 20% affordable project (5 units, 1 unit affordable =  $1/5$  units = 20%). A 10 unit project also has a requirement for 1 unit, resulting in a 10% requirement (10 units, 1 affordable =  $1/10$  = 10%). This 'rounding' feature of the existing ordinance results in the unequal application of the 15% requirement and effectively establishes a threshold level where developers want to avoid triggering an additional required affordable unit. In the above example of a 10 unit project, there is a built-in unintended incentive not to propose to build an 11 unit project, because the 11<sup>th</sup> unit would trigger a requirement that a second affordable unit be included in the project. The 10 unit project for the same site would include larger lots with more expensive homes, with a one unit affordable housing obligation; under the current ordinance, because a 10 or 11 unit projects would both have nine market rate units, there is no incentive to build the 11<sup>th</sup> unit. By eliminating the 'rounding' feature and requiring an equal distribution of affordable housing requirement on all projects, regardless of size, the affordable housing requirements will no longer have this unintended incentive for developers to build fewer units on a site than would otherwise be feasible.

Eliminate in lieu fees - The current in lieu fee program is not working as originally envisioned. When the fee chart was established in 1997, most of the home sales were in the \$250,000 to 400,000 range and there was a reasonable relationship between the fee and the prevailing home prices. At these levels, it was projected that most developers would opt to construct affordable units instead of pay the in lieu fee. Now, however, with home prices in the \$600,000 to \$800,000 range, most developers are opting to pay the fee instead of building units. This not only decreases the number of new affordable units available for purchase or rent, but the level of the fee is such that it is difficult to construct new units with the accumulated funds. The proposed ordinance would eliminate the in lieu fee alternative and require that units be built when the affordable housing requirement for a project equaled a whole number (for example, 20 units x 15% = 3 units, construct 3 units). In addition, while developers will no longer have the option of providing a payment in lieu of constructing the affordable unit, the proposed ordinance includes a provision to require developers to contribute to a fund where there is a fraction of an affordable unit more or less than a whole unit. The fractional portion of the affordable housing requirement would be used to calculate a fee that would be paid into the fund (for example, an 8 unit project x 15% = 1.2 units, build 1 affordable unit, pay fees for 0.2; a 6 unit project x 15% = 0.9, pay fees for 0.9). Fees would be based on a formula in the ordinance which is keyed to the difference between the Market Rate price and the affordable price and proceeds are proposed to be deposited into a Measure J Fund. Funds would be used at the discretion of the Board, for the purchase, rehabilitation and sales of existing homes as affordable dwellings to eligible purchasers, or to acquire other affordable housing. The proposed fractional fee requirement ties in with the proposed elimination of the rounding feature in the current ordinance, and helps assure that all projects meet the affordable housing requirement equally.

New Option To Allow Developers to Acquire Existing Units: The proposed ordinance also includes a feature considered by your Board on November 6<sup>th</sup> to develop a new alternative for developers who do not wish to construct affordable housing as a part of their project. This program, the affordable housing conversion program, would allow developers to convert existing housing units to affordable units instead of constructing new units. The formula for the conversion is contained in the proposed Affordable Housing Guidelines (Attachment 2) and requires a minimum of 2 converted units for each affordable unit required by the project. Planning intends to evaluate this program for overall effectiveness and return to the Board in February 2003 with a further report.

Delete provision which exempts demolished units from the inclusionary requirements As discussed in the November 6<sup>th</sup> Board letter, currently, for each existing unit removed from a project site, an equal number of new, market-rate units built in the project are exempted from the inclusionary requirements, even though the replacement unit is typically more expensive than the demolished unit. This results in the loss of an existing unit and the reduction in the affordable housing obligation for the developer. In response to your Board's directive to address this issues, the proposed language would define a new dwelling unit as any dwelling that is newly constructed on site, whether or not it is replacing an existing dwelling unit. Under the proposed language, the only way to exempt an existing structure is to maintain it on the site. This measure is designed to encourage developers to retain the existing housing stock.

### **Measure J Purchase by First Time Homebuyers**

In addition to the directives from your Board, staff is proposing that the Guidelines include proposed changes to promote the purchase of Measure J units and converted units by first time homebuyers. This approach is consistent with your Board's interest in promoting first time homeownership opportunities.

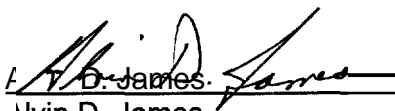
### **Discussion and Recommendation**

As directed by your Board following consideration of the Affordable Housing Action Plan, staff has prepared amendments to the Affordable Housing Ordinance. These amendments enact some of recommendations of the Affordable Housing Action Plan, including creation of a new program that allows developers to convert existing dwellings to affordable units as an alternative to constructing affordable units within their development. Staff has also prepared guidelines to implement the proposed ordinance amendments. These guidelines contain proposed formulae that will be used to determine the appropriate number of units to be converted in order to fulfill the inclusionary housing unit requirements of the ordinance, based on the sales price of the market rate units or, in the case of lot subdivisions, the size of the lots.

The adoption of this ordinance will result in the equal application of the County's Affordable Housing Ordinance. This not only removes the inequities of the current ordinance, but should result in the development of more affordable units. It is therefore RECOMMENDED that your Board:

1. Approve, in concept, the proposed amendments to Chapter 17.10 and the Affordable Housing Guidelines; and
2. Direct the Clerk of the Board to place this item on your February 26, 2002 agenda for final adoption.
3. Direct the Planning Director to provide a report on the effectiveness of the existing unit conversion program, as discussed above, in February, 2003.

Sincerely,

  
T. D. James

Planning Director

RECOMMENDED:

0212

  
\_\_\_\_\_  
Susan A. Mauriello, County Administrative Officer

cc: Housing Advisory Commission  
Planning Commission  
County Counsel  
Redevelopment Agency

1710.2.5.wpd/pln023

ATTACHMENT 1

ORDINANCE NO. \_\_\_\_\_

**ORDINANCE AMENDING CHAPTER 17.10  
OF THE SANTA CRUZ COUNTY CODE  
RELATING TO AFFORDABLE HOUSING**

The Board of Supervisors of the County of Santa Cruz hereby ordains as follows:

**SECTION I**

The following amendment to Section 17.10.020 of the Santa Cruz County Code is hereby amended to read as follows:

**17.10.020 Definitions.**

For the purpose of this chapter, the following words and phrases shall be defined as set forth in this section.

- (a) Administering Agency: The Redevelopment Agency of the County of Santa Cruz, the Santa Cruz County Planning Department or any other agency as determined by the Board of Supervisors, which is involved in the administration of the County's Affordable Housing Program.
- (b) Affordable Housing: Housing which is affordable to average or below average income households, as required, regulated and allowed by this Chapter. Affordable housing units are the same as inclusionary units for the purposes of this Ordinance.
- (c) Applicant: Any person, firm, partnership, association, joint venture, corporation, entity, or combination of entities seeking County permits and approval.
- (d) Assisted Housing: Any project receiving all or a portion of its development funding from any local, State or Federal governmental or non-profit funding source which meets the criteria for affordable housing specified in the ~~Income, Asset and Unit Price~~ Affordable Housing Guidelines.
- (e) At One Location: All adjacent land owned or controlled by the applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by other lands owned or controlled by the applicant.
- (f) Average (Moderate) Income Households: Households with incomes between 80 and 120 percent of the median household income for the Santa Cruz Primary Metropolitan Statistical

Area (PMSA), as determined periodically by the U.S. Department of Housing and Urban Development (HUD). The definition for average income households for the purposes of this ordinance corresponds to the definition of moderate income households for State and Federally assisted housing programs.

(g) Below Average (Lower) Income Households: Households with annual incomes less than 80 percent of median household income for the Santa Cruz PMSA. The definition for below average income households for the purposes of this ordinance corresponds to the definition of low income households used for State and Federally assisted housing programs.

(h) Congregate Senior Housing: Senior housing with individual living units which provides residents with central management, a minimum of two meals per day in a central dining facility, and transportation services. Congregate housing also provides recreational and social activities and facilities. Maid and linen service, sundries, beautician, banking and other similar services may also be made available where they are appurtenant to the congregate use on the site. Another term used for congregate housing is Life Care Facility, which is a congregate development as described above in conjunction with a nursing and medical facility.

(i) Dwelling Unit: A dwelling designed for occupancy by one family or household.

(j) Eligible Purchaser: A household which is qualified by the administering agency, according to procedures established by the County, as meeting the requirements of this chapter for the purchase of affordable units; or a public body providing affordable housing; or an investor-owner as defined in Subsection (r) of this Section.

(k) Eligible Renter: A household qualified by the administering agency, according to procedures established by the County, as meeting the requirements of this Chapter for the rental of affordable units.

(l) Final Inspection: Inspection performed by the administering agency to verify completion of the housing project per approved plans and to allow occupancy of housing units.

(m) Housing Costs: The monthly mortgage, principal and interest, property taxes, association fees, and required homeowner's insurance for ownership units, and the monthly rent for rental units.

(n) HUD: The U.S. Department of Housing and Urban Development.

(o) Inclusionary Housing Units: Housing units which are affordable to average or below average income households as required, regulated, and allowed by this Chapter. Inclusionary housing units are the same as affordable housing units for the purposes of this Chapter.

(p) Investor-Owner: An individual, partnership or corporation which develops or purchases affordable housing units for rental to below average income households.

(q) Market Rate Unit: A dwelling unit which is not subject to the rental, sale or resale regulations of this Chapter.

(r) Median Income: The median income for the Santa Cruz PMSA, unless otherwise stipulated, as periodically determined by HUD. The current County median income figure is contained in the County's Income, Asset and Unit Price Guidelines.

(s) New Dwelling Unit: A dwelling unit that is newly constructed on a site, including replacement dwellings.

(st) Owner-Builder: An individual or household who proposes to build a unit, with or without

the assistance of a contractor, for his/her primary place of residence.

~~(tu)~~ **Project:** A residential development or land subdivision proposal for which County permits and approvals are sought.

~~(tv)~~ **Resale Controls:** Legal restrictions by which the price of affordable units will be controlled by this chapter for a specified period of time.

~~(vw)~~ **Section 8:** The major federal housing program in which eligible very low income and low income households receive financial assistance to rent housing units.

~~(wx)~~ **Very Low Income Households:** Households with annual incomes less than 50 percent of median household income for the Santa Cruz PMSA. The definition of very low income households is used for State and Federally assisted programs and is included in the below average income household category for purposes of this ordinance. (Ord. 3002, 10/28/80; 3329, 11/23/82; 3502, 3/6/84; 3802, 12/16/86; 3881, 12/15/87; 4081, 10/16/90; 4425, 8/13/96)

## SECTION II

The following amendment to Section 17.10.030 of the Santa Cruz County Code is hereby amended to read as follows:

### **17.10.030 Inclusionary housing requirements for residential development projects.**

(a) **Projects Subject to Inclusionary Housing Requirements.** The following residential development projects consisting of the construction of new dwelling units and/or the creation of new parcels intended for permanent residential occupancy shall be subject to the inclusionary housing requirements of this Chapter:

1. **Residential Project At One Location.** An application for a residential development at one location, whether to be constructed at one time or in phases, shall be subject to the requirements of this Chapter if it will result in the creation of:

- (i) five (5) or more new dwelling units; or
- (ii) parcels providing building sites for a total of five (5) or more new dwelling units; or
- (iii) a combination of new dwelling units and parcels together providing for a total of five (5) or more new dwelling units.

For purposes of this paragraph, "one location" shall include all adjacent parcels of land owned or controlled by the applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicant.

2. **Concurrent Adjacent Residential Projects.** Applications for concurrent adjacent residential developments which together will result in the creation of five (5) or more new dwelling units, parcels providing building sites for a total of five (5) or more new dwelling units, or a

combination of new dwelling units and parcels together providing for a total of five (5) or more new dwelling units, developed by applicants on adjacent properties either at one time or in phases shall be subject to the requirements of this Chapter. For purposes of this paragraph: "adjacent properties" shall include all adjacent parcels of land owned or controlled by the applicants, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicants; and "concurrent" applications shall include all applications which have been submitted and are concurrently being processed for action by the County. If the property ownership and application for one project contain no parties in whole or part, or their spouses, who are also a party to the property ownership and application of the concurrent adjacent development, the concurrent applications may be granted an exception to the affordable housing requirements imposed by this Chapter upon a showing satisfactory to the decision-making body that neither project receives direct financial benefit by virtue of the concurrent adjacent development.

3. Sequential Adjacent Residential Projects. Applications by the same owner or applicant for sequential adjacent residential developments which together will result in the creation of five (5) or more new dwelling units, parcels providing building sites for a total of five (5) or more new dwelling units, or a combination of new dwelling units and parcels together providing for a total of five (5) or more new dwelling units, developed on the same or adjacent properties either at one time or in phases shall be subject to the requirements of this Chapter. For purposes of this paragraph: "same owner or applicant" shall include any person who participates in the development as a full or partial owner or applicant, or a spouse of such person; "adjacent properties" shall include all adjacent parcels of land owned or controlled by the owner and/or applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the owner and/or applicant; and "sequential" projects shall include all projects for which applications have been submitted to the County within a period of ten (10) years.

(b) Inclusionary Housing Requirement. The affordable housing obligation for any project identified in Subsection (a) shall be calculated by multiplying the number of new dwelling units or new residential building sites by the affordable housing percentage for the type of project, as specified below. Projects which generate an affordable housing obligation less than a whole unit or a fractional amount more than a whole unit, shall contribute funds equivalent to the fractional amount to the Measure J Trust Fund, as specified in Section 17.10.034. Those projects which generate an affordable housing obligation equivalent to a whole unit or units of affordable housing ~~Those residential development projects identified in Subsection (a) shall provide the following minimum number of~~ construct the affordable dwelling units constructed within the project pursuant to the requirements of Section 17.10.032, or alternately, shall meet the affordable housing requirement through the options provided in Subsection (c) below:

1. Standard Development. Standard development projects shall include the construction of affordable dwelling units equivalent in number to a minimum of fifteen percent (15%) of the total number of new dwelling units and new undeveloped residential building sites in the project;

2. Bonus Density Development. Eligible development projects qualifying for bonus zoning density pursuant to Section 13.10.391 shall ~~include the designate construction of the affordable dwelling units, including those required for the bonus density, equivalent in number to no less than twenty-five (25%) of the total number of all new dwelling units and new undeveloped residential building sites in the project;~~ specified in Section 13.10.391(b).

3. Priority Processing Development. Development projects qualifying for priority processing ~~pursuant to shall meet the requirements of County Code Sections 17.10.040 (standard priority processing) or 13.10.393(b) (bonus density priority processing) shall include by the~~ construction of affordable dwelling units equivalent in number to a minimum of twenty-five percent (25%) ~~or thirty-five percent (35%), respectively;~~ of the total number of new dwelling units and new undeveloped residential building sites in the project; or County Code Section 13.10.393(b) (bonus density priority processing) shall include the construction of affordable dwelling units equivalent in number to a minimum of thirty-five percent (35%) of the total number of new dwelling units and new undeveloped residential building sites in the project before the density bonus is applied.

4. Congregate Senior Housing Development. Congregate Senior Housing development projects developed pursuant to County Code Section 13.10.342 shall ~~include the construction of~~ designate affordable congregate care units equivalent in number to a minimum of thirty five percent (35%) of the total number of congregate care units in the project.

Where an applicant proposes to satisfy the affordable housing requirement through participation with a non-profit housing developer for the construction of affordable residential units on a different site, the affordable unit requirement shall be based on the total number of new dwelling units and new undeveloped residential building sites included at both sites. ~~In determining the number of affordable units required for a project, any decimal fraction less than or equal to 0.50 shall be disregarded, and any decimal fraction greater than 0.50 shall be construed as requiring one affordable unit.~~

(c) Alternative Options to Satisfy Inclusionary Housing Requirement. As an alternative to the construction of each affordable dwelling unit within a project as required pursuant to Subsection (b), the affordable housing requirements of this Chapter may be satisfied by one or a combination of the following options:

1. ~~Payment of an in-lieu fee pursuant to Section 17.10.034 in place of constructing a required affordable dwelling unit~~ Participation in the Existing Unit Conversion Program pursuant to

Section 17.10.034; or

2. Financial contribution to a non-profit sponsored affordable housing project pursuant to Section 17.10.036 in place of constructing a required affordable dwelling unit on-site; or .

~~3. Dedication of a residential parcel for the construction of an affordable dwelling unit for rent or sale pursuant to Section 17.10.038 in place of constructing a required affordable unit.~~

Use of (1) and (2) above requires approval by the Approving Body at the time of the development approval.

(d) Unit Affordability Requirements

1. Term of Restrictions. Affordable ownership and rental units shall be subject to the requirements of this Chapter for the life of the unit.

2. Sales Price. The maximum allowable sales price for all affordable housing units created pursuant to the requirements of this Section shall be limited to be affordable to moderate income households, unless otherwise required to be affordable to lower income or very low income households in order for the project to qualify for bonus zoning density pursuant to Section 13.10.391 and/or public funding programs. The County shall establish maximum allowable affordable unit sales prices pursuant to the pricing guidelines in the Affordable Housing Guidelines adopted by the Board of Supervisors.

3. Rental Price. The maximum allowable rental price for all affordable housing units created pursuant to the requirements of this Section shall be limited to be affordable to lower income households unless otherwise required to be affordable to very low income households in order for the project to qualify for bonus zoning density pursuant to Section 13.10.391 and/or public funding programs. The County shall establish maximum allowable affordable unit rental prices pursuant to the pricing guidelines in the Affordable Housing Guidelines adopted by the Board of Supervisors.

4. Unit Occupancy. The income and assets of owner-occupant households shall not exceed the limits for a moderate income household, and for tenant households shall not exceed the limits for a lower income household, unless more stringent limits are required in order for the project to qualify for bonus zoning density pursuant to Section 13.10.091 and/or public funding programs. The County shall establish maximum allowable household income and asset levels in the Affordable Housing Guidelines adopted by the Board of Supervisors. Sales and rental contracts for affordable units shall not be enforceable, and sale and occupancy of units shall not be allowed until the purchasing and/or occupying household is certified by the County as meeting the established income and asset limits.

(e) Development Permit and Tentative Map Procedures.

1. Development Application. All appropriate maps and other materials submitted with an application for approval of a Residential Development Permit and/or Tentative Map for a project subject to the affordable housing requirements of this chapter shall explicitly identify those residential units and/or residential parcels within the project sufficient to satisfy the project's affordable housing requirements, and shall also indicate the affordable housing options(s) pursuant to Subsections (b) and (c) that the developer will utilize to fulfill the requirements of this Chapter. The identification of affordable units and/or parcels within the project shall be provided to ensure compliance with the requirement of this Chapter regardless of which of the affordable housing options ~~the applicant selects to satisfy the requirements of this Chapter~~ is approved by the Approving Body.

2. Development Conditions. The conditions of approval of a Residential Development Permit and/or Tentative Map shall identify ~~residential units and/or residential parcels within the project adequate to satisfy the project's affordable housing requirements. Such identification of affordable units shall be provided to ensure compliance with the requirement of this Chapter regardless of which of the affordable housing options provided in Subsections (b) and (c) that the applicant intends to eventually pursue.~~ how the development will meet the inclusionary housing requirements of this Chapter, as approved by the Approving Body.

(f) Participation Agreement Procedures. Prior to the recording of the Final Subdivision Map or the issuance of any Building Permits for residential units within the project, whichever event occurs first, an Affordable Housing Program Participation Agreement shall be signed by the Planning Director, or his or her designee, on behalf of the County and by the owners of the property having authorization to encumber the property and by any existing holder of trust deeds on the property. The Participation Agreement shall be binding on the heirs, assigns and successors in interest of the property owner, and shall be recorded in the Official Records of Santa Cruz County. The Participation Agreement shall include, at the minimum, the following provisions:

1. Binding of the Project Site. The Participation Agreement shall contain the affordable housing requirements established for the project pursuant to this Chapter and shall encumber the entire property on which the project is to be developed with the obligation to fulfill such affordable housing requirements.

2. Lien on Designated Parcels. The Participation Agreement shall create an enforceable lien on each of the affordable parcels designated in the conditions of project approval. ~~or alternately on every parcel in a project where the in-lieu fee option is chosen, to allow for collection of an in-lieu fee pursuant to Section 17.10.034 regardless of the option selected to satisfy the affordable housing requirement for the project. This lien is intended to allow for collection of such in-lieu fee(s) if needed to enforce compliance with the requirements of this Chapter and shall be~~

~~released by the County upon fulfillment of the affordable housing obligations pursuant to this Chapter.~~

3. Selection of Affordable Housing Option. The Participation Agreement shall designate the option ~~selected~~ approved by the ~~applicant~~ Approving Body for satisfying the affordable housing requirements of this Chapter. Where allowed by specific reference elsewhere in this Chapter, the project developer may subsequently change the designated option for satisfying the project's affordable housing obligations ~~with the written approval of the Planning Director~~ through an amendment approved by the Approving Body upon a written finding that all applicable requirements for the option selected shall be met. In approving an amendment, ~~making his or her this finding, the Director~~ the Approving Body may impose reasonable conditions upon the applicant to ensure compliance with the provisions of this Chapter.

4. Project Covenants, Conditions and Restrictions. The Participation Agreement shall include a provision prohibiting any amendments to a project's Covenants, Conditions and Restrictions that would increase the proportion of the homeowners association assessment payable by any affordable housing unit, and shall create a right of judicial enforcement of this requirement by the County and/or the owner of any affected affordable unit exclusively in favor of the owner of each affordable unit in the development.

5. Enforcement. The Participation Agreement shall include a provision providing for the payment by the owner to the County of a reasonable rental value of an affordable unit from the date of any unauthorized occupation, and for the recovery by the County of reasonable attorney fees and costs required to pursue legal action to enforce the Agreement. (Ord. 4509, 8/25/98)

### SECTION III

The following amendment to Section 17.10.032 of the Santa Cruz County Code is hereby amended to read as follows:

17.10.032 Development of on-site affordable dwelling units.

(a) Affordable Unit Standards. Affordable dwelling units may be constructed within a residential project with reduced size and interior amenities compared to the market rate units provided that the affordable units comply with all development standards enumerated in the Affordable Housing Guidelines as well as the following development standards:

1. Unit location. The affordable dwelling units shall be distributed throughout the development project. This distribution requirement may only be waived by the decision-making body upon a finding that such distribution is infeasible for one or more of the following reasons:

(i) Significant topographic or other constraints exist rendering such distribution infeasible;

- (ii) Substantially improved site design will result from such waiver;
- (iii) Substantially improved building design and an approved unit amenity level will result from such waiver; or
- (iv) Significant economic hardship that does not apply to other projects in the County will result from such distribution.

2. **Parcel Size.** The parcels on which the affordable units are located shall be no smaller than the smallest parcel on which market rate units in the project are to be located.

3. **Bedroom Count.** The average bedroom count in the affordable units shall not be less than the average bedroom count in the market rate units in the project.

4. **Exterior Design.** The exterior design of the affordable units shall be consistent with the market rate units in the development based on exterior design details, materials and number of stories, with no significant identifiable differences between the units visible from the street. In addition, the size of affordable units shall be reasonably consistent with the rest of the project, with an affordable unit size not less than 75% of the average size of market rate units, unless a smaller unit size is allowed by the decision-making body at the time of project approval and with the written findings that a smaller size will provide adequate and decent affordable housing, the affordable units will provide housing units compatible with the remainder of the development, and that a larger unit size would impose a financial hardship on the project developer. In no case shall an affordable unit size be less than the minimum specified by the Affordable Housing Guidelines.

(b) **Timing of Completion.** Affordable units shall be made available for occupancy either prior to or concurrently with the date that the market rate units in a project are made available for occupancy, and in the same ratio as the affordable unit requirement which is applicable to the project. For example, for a project with a twenty-five percent (25%) affordable housing requirement, at least one affordable unit shall receive final Building Permit inspection clearances concurrently with or prior to the final clearance of every third market rate unit constructed in the project until all of the affordable housing units required in the project have been constructed. For a project with a fifteen (15%) affordable housing requirement, at least one affordable unit shall receive final Building Permit inspection clearances concurrently with or prior to the final clearance of every sixth market rate unit constructed in the project until all of the affordable housing units required in the project have been constructed. In no case shall the last market rate unit in the project receive final Building Permit inspection clearances until the last affordable unit in the project has received final Building Permit clearance.

(c) **Recording of Declaration of Restrictions.** Prior to the issuance of a ~~E~~ \_\_\_\_\_ dose of escrow for the sale of an affordable dwelling unit, the property owner having authority to encumber the property and any existing holders of trust deeds on the property shall sign an Affordable Housing Program Declaration of Restrictions which subjects the affordable unit to

the requirements of this Chapter and the County's Affordable Housing Guidelines, both as amended from time to time, including the specific ownership and occupancy restrictions established for the units pursuant to Section 17.10.030(d). The Declaration of Restrictions shall be permanently binding on the heirs, assigns and successors in interest of the property owner, and shall be recorded in the Official Records of Santa Cruz County. (Ord. 4509, 8/25/98)

## SECTION IV

The following amendment to Section 17.10.034 of the Santa Cruz County Code is hereby adopted:

### **17.10.034 Affordable housing in-lieu fee. Affordable Housing Conversion Program and Trust Fund**

(a) ~~Fee Authorization. An in-lieu fee may be paid for each affordable unit required pursuant to Section 17.10.030(b) in place of constructing the affordable housing within the project. If the in-lieu fee option is designated in the recorded Participation Agreement for the project, the Participation Agreement shall create a lien on each dwelling unit or parcel in that portion of the development generating the affordable housing requirement in order to provide for payment of the in-lieu fee pursuant to this Section. If the in-lieu fee option is not designated in the Participation Agreement, the project developer may subsequently exercise this option by submitting a request to the Planning Director prior to issuance of Building Permits for any portion of the project for which the affordable housing obligation will be met through payment of the in-lieu fee. The Planning Director may then approve this option pursuant to Section 17.10.030(f)(4) and upon liens being recorded on each unit to provide for payment of the in-lieu fee pursuant to this section.~~

- ~~• In-Lieu Calculation. The fee is keyed to the average price of the ultimate market rate units or lots developed and is structured to provide developers with an alternative way to meet their affordable housing obligation. The amount of an affordable housing in-lieu fee shall be determined based on the following Table of In-Lieu Fees and the average sales price of the market rate dwelling units and/or parcels in a project sold to bona fide purchasers for value:~~

Average Home Price		Average Lot Price		In Lieu Fee
From	To Less Than	From	To Less Than	
	\$420,000		\$168,000	\$160,000
\$420,000	\$440,000	\$168,000	\$176,000	\$168,000
\$440,000	\$460,000	\$176,000	\$184,000	\$176,000
\$460,000	\$480,000	\$184,000	\$192,000	\$184,000

\$480,000	\$500,000	\$192,000	\$200,000	\$192,000
\$500,000	\$520,000	\$200,000	\$208,000	\$200,000
\$520,000	\$540,000	\$208,000	\$216,000	\$208,000
\$540,000	\$560,000	\$216,000	\$224,000	\$216,000
\$560,000	\$580,000	\$224,000	\$232,000	\$224,000
\$580,000	\$600,000	\$232,000	\$240,000	\$230,400
\$600,000	\$640,000	\$240,000	\$256,000	\$236,800
\$640,000	\$680,000	\$256,000	\$272,000	\$246,400
\$680,000	\$720,000	\$272,000	\$288,000	\$256,000
\$720,000	\$760,000	\$288,000	\$304,000	\$264,000
\$760,000	\$800,000	\$304,000	\$320,000	\$270,400
\$800,000	\$880,000	\$320,000	\$352,000	\$276,800
\$880,000	\$960,000	\$352,000	\$384,000	\$286,400
\$960,000	\$1,040,000	\$384,000	\$416,000	\$296,000
\$1,040,000	\$1,120,000	\$416,000	\$448,000	\$304,000
\$1,120,000	\$1,200,000	\$448,000	\$480,000	\$312,000
\$1,200,000	\$1,320,000	\$480,000	\$528,000	\$318,400
\$1,320,000	\$1,440,000	\$528,000	\$576,000	\$324,800
\$1,440,000	\$1,600,000	\$576,000	\$640,000	\$331,200
\$1,600,000	\$1,800,000	\$640,000	\$720,000	\$339,200
\$1,800,000	\$2,000,000	\$720,000	\$800,000	\$345,600
\$2,000,000		\$800,000		\$352,000

(c) **Fee Payment Process.** A proportionate part of the in-lieu fee shall be paid out of the sales escrow for the sale to a bona fide purchaser for value of each dwelling unit or parcel in the project for which the fee requirement was established. For example, for a five unit project with a fifteen (15) percent affordable housing requirement resulting in an obligation to provide one affordable unit, a partial in-lieu fee shall be paid out of the sales escrow for each of the units sold in the amount of one-fifth of the in-lieu fee based on the sales price of each unit. All in-lieu fee payments shall be non-refundable once they have been received by the County.

(d) **Release of Project Encumbrances.** Concurrent with the partial payment of an in-lieu fee from the sale of each unit in a project, the County shall record a release of the affordable housing encumbrances imposed on that unit through the recorded Participation Agreement.

(e) **In-Lieu Fee Trust Fund.** All affordable housing in-lieu fees and accrued interest received pursuant to this Chapter shall be deposited into a separate trust fund maintained by the County. The trust funds shall be expended at the discretion of the County Board of Supervisors for the purposes of developing or preserving affordable housing units in the County.

(f) **Annual Adjustment of In-Lieu Fee.** At the time of the annual review of the Affordable Housing Guidelines, the in-lieu fee shall be reviewed. The review shall utilize the latest real estate data regarding the sales prices of lots and homes in Santa Cruz County. If determined to

~~be necessary by the Board of Supervisors, the Table of In-Lieu Fees shall be amended by ordinance.~~

(a) Existing Unit Conversion Program. As an alternative to constructing an affordable unit pursuant to Section 17.10.032, a developer of a project with an obligation for a whole unit or units of affordable housing may participate in the Existing Unit Conversion Program. This program allows developers to satisfy their inclusionary housing requirement through the purchase and sale of existing housing units as inclusionary units pursuant to the following requirements:

(1) The use of this option must be approved by the Approving Body as a part of the original development permit.

(2) The number of existing units that must be converted to affordable status and sold to Eligible Purchasers in accordance with this Chapter shall be determined by the Conversion Ratio formula as specified in the Affordable Housing Guidelines. At a minimum, developers must convert at least two units for each inclusionary unit that would otherwise be required to be built.

(3) The units shall be located in the same Planning Area as the market rate development.

(4) Recording of Declaration of Restrictions. The property owners of the converted units having authority to encumber the property and any existing holders of trust deeds on the property shall sign an Affordable Housing Program Declaration of Restrictions which subjects the affordable unit to the requirements of this Chapter and the County's Affordable Housing Guidelines, both as amended from time to time, including the specific ownership and occupancy restrictions established for the units pursuant to Section 17.10.030(d). The Declaration of Restrictions shall be permanently binding on the heirs, assigns and successors in interest of the property owner, and shall be recorded in the Official Records of Santa Cruz County.

(5) Timing of Completion. Converted units shall be made available for occupancy either prior to or concurrently with the date that the market rate units in a project are made available for occupancy, and in the same ratio as the affordable unit requirement which is applicable to the project. For example, for a project with a twenty-five percent (25%) affordable housing requirement, at least two converted units shall be transferred to eligible purchasers concurrently with or prior to the final clearance of every third market rate unit constructed in the project until all of the converted units required by the project have been sold. For a project with twenty percent (20%) affordable housing requirement, at least two converted units shall be transferred to eligible purchasers concurrently with or prior to the final clearance of every fifth market rate unit constructed in the project until all of the converted units required by the project have been constructed. In no case

shall the last market rate unit in the project receive final Building Permit inspection clearances until the last converted unit in the project has been sold.

(b) Measure J Trust Fund. A trust fund shall be established and shall be known as the Measure J Trust Fund. The trust funds shall be expended at the discretion of the County Board of Supervisors for the purposes of developing or preserving affordable housing units, or for the acquisition and conversion of existing units to affordable housing units in the County. All fractional amounts of the affordable housing obligation and accrued interest received pursuant to this Chapter shall be deposited into a separate trust fund, known as the Measure J Trust Fund, to be maintained by the County. The amount of the contribution to this fund from applicable development shall be the fractional amount of the inclusionary housing unit obligation as determined by Section 17.10.030(b) and shall be based on the following formula, as amended annually by the Board of Supervisors in the Affordable Housing guidelines:

$$\frac{\text{fractional amount of affordable housing per Section 17.10.030(b)}}{\text{X (average market rate price - affordable unit price)}} = \text{contribution to Measure J Trust Fund}$$

(Ord. 4509, 8/25/98; Ord. 4599 § 1, 9/26/2000)

## SECTION V

This ordinance shall take effect upon certification by the California Coastal Commission.

PASSED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2002, by the Board of Supervisors of the County of Santa Cruz by the following vote:

AYES:

NOES:

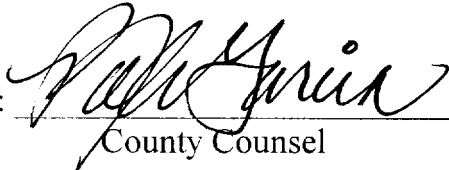
ABSENT:

ABSTAIN:

---

Chair of the Board of Supervisors

ATTESTED: \_\_\_\_\_  
Clerk of the Board

APPROVED AS TO FORM:  \_\_\_\_\_  
County Counsel

DISTRIRUTION: County Counsel  
Planning CAO

# SANTA CRUZ COUNTY AFFORDABLE HOUSING GUIDELINES

## 2001 Edition

These Santa Cruz County Affordable Housing Guidelines are adopted by Resolution of the Santa Cruz County Board of Supervisors pursuant to County Code Chapter 17.10, Affordable Housing Requirements. These Guidelines constitute and were formerly entitled the Santa Cruz County Affordable Housing Program Income, Asset and Unit Price Guidelines from their inception as referenced in the Santa Cruz County Code, including but not limited to Chapter 17.10 and in all documents executed pursuant thereto. These Guidelines are annually revised, updated and adopted by the County to accomplish the objectives of the County's Affordable Housing Program, and establish regulations in addition to all other applicable State and County laws and regulations governing the sale or rental of residential properties. These Guidelines provide supplemental regulations and administrative guidelines for the County's Affordable Housing Program and implement the intent and specific provisions of Chapter 17.10 by providing income and asset limits for participating households, sales and rental prices for affordable units, and development and marketing standards for affordable units. Second units authorized and occupied pursuant to County Code Section 13.10.681 are also subject to portions of these Guidelines.

### 1. HOUSEHOLD INCOME LIMITS

To establish the eligibility of individuals participating in the County's Affordable Housing Program, limits are set on the amount of income households occupying the units can earn. These limits are based on median household income estimates for Santa Cruz County established by the Federal Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD). The estimated area median income for Santa Cruz County in 2001 is \$65,500 (based on a four-person household).

Four household income categories are established for the administration of affordable housing programs. "Very low income" households are defined as those with incomes equal to or less than 50% of median household income. "Lower income" households are defined as those with incomes greater than 50% and up to **80%** of median household income. "Median income" households are defined as those with incomes equal to 100% of median household income. "Moderate income" households are defined as those with incomes greater than 80% and up to 120% of median household income. HUD and HCD establish household income ranges by household size for each of these four income categories.

Table One defines the maximum annual household income limits for each income category, by household size, for Santa Cruz County affordable housing programs. The applicable income limits for larger household sizes may be obtained from the County Planning Department.

**Table One — Maximum Annual Household Income Limits for 2001**  
(Based on Santa Cruz County 2001 Area Median Income for Household Size)

Income Category (Percent of AMI*)	Number of Persons in Household							
	1	2	3	4	5	6	7	8
Very Low (50%)	\$22,950	\$26,200	\$29,500	\$32,750	\$35,350	\$38,000	\$40,600	\$43,250
Lower (80%)	\$36,700	\$41,900	\$47,150	\$52,400	\$56,600	\$60,800	\$64,950	\$69,150
Median (100%)	\$45,850	\$52,400	\$58,950	\$65,500	\$70,750	\$76,000	\$81,200	\$86,450
Moderate (120%)	\$55,000	\$62,900	\$70,750	\$78,600	\$84,900	\$91,200	\$97,450	\$103,750

\* AMI is Area Median Income.

## 2001 SANTA CRUZ COUNTY AFFORDABLE HOUSING GUIDELINES

Household size is defined to include all occupants of the affordable unit consisting of the principal occupant(s) appearing on the property lease or title, foster children, and other persons related by blood, marriage, operation of law, or other stable family relationship who reside in the unit.

At the time a household first occupies an affordable unit, the household's income shall not exceed the following annual income limits:

(a) Rental Units:

1. The annual income of a household renting an affordable unit, other than those designated for "very low income," shall not exceed the maximum limit for "lower income" households;
2. The annual income of a household renting an affordable unit designated for "very low income" shall not exceed the maximum limit for "very low income" households.

(b) Owner-Occupied Units:

1. The annual income of a household purchasing a designated "moderate income" affordable unit for owner-occupancy shall not exceed the maximum limit for "moderate income" households;
2. The annual income of a household purchasing a designated "lower income" affordable unit for owner-occupancy shall not exceed the maximum limit for "lower income" households;
3. The annual income of a household purchasing a designated "very low income" affordable unit for owner-occupancy shall not exceed the maximum limit for "very low income" households;

Occupying households shall be certified as meeting the above income limitations by the administering agency prior to a tenant occupying an affordable rental unit or prior to a purchaser taking title to an affordable unit intended to be owner-occupied. Purchasers of affordable units to be utilized as investor-owned affordable rental units are not subject to income limitations.

Where affordable housing units are developed with State or federal housing program assistance, the income limitations of the State or federal housing program shall supersede the income limitations of these Guidelines where they are more stringent.

## 2. HOUSEHOLD INCOME DEFINITION

For households renting an affordable unit, household income is defined as monetary benefits before deductions or exemptions which are anticipated to be received during the 12 months following occupancy of the unit by the occupying household. For households purchasing an affordable unit for owner-occupancy, household income is defined as monetary benefits before deductions or exemptions which are anticipated to be received during the 12 months following occupancy of the unit by the occupying household as well as by all persons who share in the ownership of the unit. Occupying household is defined to include all occupants of the affordable unit consisting of the principal occupant(s) appearing on the property lease or title, foster children, and other persons related by blood, marriage, operation of law, or other stable family relationship who reside in the unit.

Income includes, **but is not limited to:**

- (a) all wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services, before payroll deductions;
- (b) the net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);

**2001 SANTA CRUZ COUNTY AFFORDABLE HOUSING GUIDELINES**

- (c) interest and dividends (including income from assets excluded below);
- (d) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including any lump sum payment for the delayed start of a periodic payment;
- (e) payments in lieu of earnings, such as unemployment and disability compensation and severance pay;
- (9) the maximum amount of public assistance available to the above persons other than the amount of any assistance specifically designated for shelter and utilities;
- (g) periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
- (h) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and
- (i) any earned income tax credit to the extent that it exceeds income tax liability;

The following are specifically excluded from the definition of income:

- (a) casual, sporadic or irregular gifts;
- (b) amounts which are specifically for or in reimbursement of medical expenses:
- (c) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal losses;
- (d) amounts of educational scholarships paid directly to students or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books, and equipment. Any amounts of such scholarships or payments to veterans not used for the above purposes are to be included in Income;
- (e) special pay to a serviceman head of a family away from home and exposed to hostile fire;
- (9) relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
- (g) foster child care payments;
- (h) the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1977;
- (i) payments to volunteers under the Domestic Volunteer Service Act of 1973;
- (j) payments received under the Alaska Native Claims Settlement Act;
- (k) income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes;
- (l) payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;
- (m) payments received from the Job Training Partnership Act;

- (n) income derived from the disposition of funds of the Grand River band of Ottawa Indians; and
- (o) the first \$2,000.00 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims.

### 3. HOUSEHOLD ASSET LIMITS

At the time a household first occupies an affordable unit, the household renting the affordable unit or the household purchasing an affordable unit intended for owner-occupancy shall not exceed the following asset limits:

- (a) The total assets of the household must be less than the maximum allowable annual income for that household; or
- (b) If household assets exceed the maximum allowable annual household income, eight and one-half percent of the total assets of the household (or the actual income from these assets if this is a greater amount ) shall be included in the household's annual income, and this combined amount must be less than the maximum allowable annual income for that household.

For households consisting of at least one senior citizen 62 years of age or older, the first \$60,000 of assets shall be excluded from calculation under steps (a) and/or (b) above.

(c) Households purchasing owner-occupant units may not own residential property that would exclude them from the following definition of a first-time homebuyer: An individual or individuals or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of an affordable unit, with the following exceptions:

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

2. An individual or individuals who owns or owned, as a principal residence during the three-year period before the purchase of a Measure J home, a dwelling unit whose structure is not permanently affixed to a permanent foundation in accordance with local or state regulations.

3. If no acceptable offers to purchase have been made by any eligible first-time homebuyer households within 45 days of a given unit being placed on the market, the first-time homebuyer eligibility requirement shall be waived for that unit by the administering agency.

Occupying households shall be certified as meeting the above asset limitations by the administering agency prior to a tenant occupying an affordable rental unit or prior to a purchaser taking title to an affordable unit intended to be owner-occupied.

Purchasers of affordable units to be utilized as investor-owned affordable rental units are not subject to asset limitations.

Where affordable housing units are developed with State or federal housing program assistance, the asset limitations of the State or federal housing program shall supersede the asset limitations of these Guidelines where they are more stringent.

### 4. ASSET DEFINITION

**Assets** are defined as:

- (a) Cash savings, including but not limited to bank accounts, credit union accounts, certificates of deposit, and money market funds;

- (b) Marketable securities, stocks, bonds and other forms of capital investment;
- (c) Inheritance and lump sum insurance payments, already received;
- (d) Settlements for personal or property damage already received;
- (e) Equity in real estate, except as stated below;
- (9) Other personal property which is readily convertible into cash;

**The following are not considered assets:**

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

## 5. RENTAL PRICES

The maximum allowable rental prices for most affordable units (Measure J Rental Units and other affordable rental units) shall be set at a level affordable to lower and very low income households as provided in Table Two. Except as otherwise provided in this section, the maximum allowable rental price for an affordable unit shall be determined based on 1) a housing allowance of 30% of gross income for a household size of one person more than the number of bedroom in the affordable unit, and 2) a household income of 60% of median, except for those units which are designated for "very low income" occupancy in which case a household income of 50% of median shall be used.

The maximum allowable rental price for Second Unit rentals (those units built under Section 13.10.631 of the County Code) is the higher of either the "Lower Income Rental Unit" amount or the "Section 8 Fair Market Rent" amount. The current Section 8 rent limit is shown in the far right column of Table Two, however this limit is adjusted annually by HUD and may be changed after the publication of these guidelines. The most current Fair Market Rent limits are always listed at the Santa Cruz County Housing Authority website ([www.hacosantacruz.org](http://www.hacosantacruz.org)).

**Table Two — Maximum Allowable Monthly Rental Prices**

Unit Size	Lower Income Rental Units	Very Low Income Rental Units	Section 8 Fair Market Rent (Second Units only)
Studio	\$688	\$573	\$686
1 Bedroom	\$786	\$655	\$817
2 Bedroom	\$884	\$737	\$1,091
3 Bedroom	\$983	\$819	\$1,517
4 Bedroom	\$1,061	\$884	\$1,777

Where affordable housing units are developed with State or federal housing program assistance, the rental price requirements of the State or federal housing program shall supersede the price limitations of these Guidelines where they are more stringent.

All maximum allowable rental prices include payment for all utilities by the landlord. If tenants pay for one or more utility services, the maximum allowable rental price shall be reduced by an amount equal to the utility allowances established for the HUD Section 8 Rental Assistance Program.

The maximum allowable rental prices for affordable units and maximum income limits shall be revised annually by the Planning Department following the annual publication of HUD/HCD area median income estimates. For rental units initially occupied before August 26, 1986, rent prices shall not be increased by more than **10** percent annually.

For affordable units in congregate senior housing projects providing services beyond basic shelter, the Board of Supervisors shall, at the time of project approval, provide for payments beyond the allowable rental levels to account for the additional cost of providing such additional services. Unless the Board of Supervisors decides otherwise with respect to a particular congregate senior project, charges allowed for congregate care services in addition to the basic rent charge may not exceed below the limits provided in Table Three which are based on 35% of total household income for a single person, or **45%** of total household income for a couple, at an income level of 60% of median.

Table Three — Maximum Congregate Care Service Charges

Household Size	Maximum Monthly Service Charge
<b>1</b>	\$802
<b>2</b>	\$1,179

## 6. UNIT STANDARDS

Standard quality units must be finished to allow occupancy and shall have:

- (a) The minimum sizes as specified by Table Four:

Table Four — Minimum Affordable Unit Size

Number of Bedrooms	Senior Congregate Units	All Other Units
Studio	400 square feet	400 square feet
<b>1</b>	550 square feet	<b>550</b> square feet
<b>2</b>	<b>700</b> square feet	850 square feet
<b>3</b>	Not Applicable	1050 square feet
<b>4</b>	Not Applicable	1250 square feet

- (b) Complete interior and exterior painting or other finished wall coverings, with five-eighths inch minimum exterior siding.

- (c) Standard quality finished floor coverings.

- (d) Built-in appliances if the kitchen woodwork calls for it.

- (e) Washer and dryer hookups or a facility centrally located within the project.

- (9)** Paved parking area and sidewalk leading from parking to the unit entrance.

**2001 SANTA CRUZ COUNTY AFFORDABLE HOUSING GUIDELINES**

- (g) Rain gutters and down spouts.
- (h) Built in kitchen cabinets.
- (i) For units with three or more bedrooms, 1-1/2 bathrooms shall be required.

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

The size of the household renting or purchasing an affordable unit shall not exceed that allowed by the State Uniform Housing Code, or other applicable State laws based on the unit size and number of bedrooms in the unit.

**7. MAXIMUM SALES PRICE FOR NEW AFFORDABLE UNITS**

Affordable units shall be sold, on their first sale, for a price that is no more than the maximum allowable sales price set according to the formula established in this Section. The maximum allowable sales price shall be determined at the time of filing of the original "Notice of Intent to Sell" for the affordable unit by the developer.

The maximum allowable sales prices for affordable units shall be set at a level affordable to moderate, lower and very low income households based on 1) a housing allowance of 30% of the gross income of a household having one person more than the number of bedrooms in the affordable unit, and 2) a gross household income as indicated below for the designated type of affordable unit.

**Formula to Determine the Maximum Allowable Sales Price of a New Affordable Unit:**

- (a) Determine the annual income for a household based on whether the unit is designated for occupancy by a moderate, lower or very low income household:
  - 1. Determine the median household income for a household size of one person larger than the number of bedrooms in the affordable unit from Table One;
  - 2. Multiply the median household income from Table One by:
    - 100% for an affordable unit designated for a moderate income household occupancy; or
    - 70% for an affordable unit designated for a lower income household occupancy; or
    - 50% for an affordable unit designated for a very low income household occupancy.
- (b) Determine the monthly household allowance available for a mortgage payment:
  - 1. Multiply annual income from step (a) by 0.30 to obtain an annual housing allowance of 30% of income;
  - 2. Divide the housing allowance by 12 to obtain a monthly housing allowance;
  - 3. Deduct 20% of the monthly housing allowance for the monthly costs of property taxes, insurance and utilities, and deduct 70% of the monthly homeowner's association fees to obtain a net allowance available for mortgage payments.
- (c) Determine the maximum mortgage that can be financed:
  - 1. Determine the prevailing interest rate for a 30-year fully amortized fixed-rate home mortgage (rate to be determined by the administering agency);

2. Determine the maximum home mortgage that can be financed at the prevailing interest rate based on a mortgage payment as determined in Step (b).
- (d) Determine a maximum allowable unit sales price assuming a mortgage of 90% of sales price by dividing the maximum mortgage amount determined in step (c) by 0.9.

**8. MAXIMUM ALLOWABLE RESALE PRICE OF AFFORDABLE UNITS**

- (a) Affordable units shall be sold, at the time of resale, for a price that is no more than the maximum allowable sales price established by either of the following two methods that generates the greater resale price:
  1. The maximum unit price as determined in Section 7 above at the time of receipt by the administering agency of an owner's Notice of Intent to Sell; or
  2. The maximum unit price that represents the sum of the seller's purchase price, plus the seller's non-recurring purchase closing costs, plus the increased value of the unit created by improvements that the seller has made to the unit as determined in Section 9 below.
- (b) Where an owner has made improvements to an existing affordable housing unit which results in an increase in the number of bedrooms, as evidenced by a valid Building Permit issued and receiving final inspection by the County, the maximum allowable resale price of the unit shall be based on a total bedroom count which included the additional bedroom(s) and on the method in Section 8(a) above which produces the higher resale price limit.
- (c) Where the administering agency determines that the owner through neglect, abuse or lack of adequate maintenance has created damage to an affordable unit which jeopardizes the integrity of the unit and/or the viability of maintaining the unit as part of the County's Affordable Housing Program, the agency may require that repairs be made to the unit at the owner's expense and paid for either prior to sale or out of the proceeds of escrow as follows:
  1. Upon resale, an inspection of the premises may be made by the administering agency. Damage done to the premises, beyond normal wear and tear, shall be identified by the inspector, and the cost to repair the damage estimated. The owner shall then have the option, exercisable prior to the close of escrow, of either repairing the identified damage or having the cost to repair the damage deducted from the proceeds of the sale and held in escrow to be used to pay for the repairs.
  2. The owner may also be required to obtain and pay for a structural pest control report and to pay for any necessary corrective repairs. The owner shall not be obligated to perform preventative work beyond the repair of damage, but the buyer shall have the option to perform such work at his or her expense.

**9. ADJUSTMENTS TO RESALE PRICE**

The maximum resale price of an affordable unit as determined in Section 8(a)(2) above may include the increase in unit value created by improvements made to the property by the seller based on the following criteria:

- (a) The improvements shall constitute substantial structural or permanent fixed improvements which cannot be removed without substantial damage to the premises or substantial or total loss of value of said improvements.
- (b) The improvements shall not increase the resale price by more than ten percent. No improvements shall be deemed substantial unless the aggregate, actual, initial costs of the improvements to the seller exceed one percent of the purchase price paid by the seller for the premises except as provided below.
- (c) The seller's portion of the cost of improvements to the common areas of a condominium made by a mandatory assessment by the homeowners association shall be considered the same as an improvement

## 2001 SANTA CRUZ COUNTY AFFORDABLE HOUSING GUIDELINES

made directly by the owner. The one percent minimum expenditure requirement shall not apply to such assessments.

- (d) The replacement of appliances, fixtures and equipment which were originally sold as part of the unit shall be deemed substantial improvements if the replacement is required by the non-operative or deteriorated nature of the original appliance, fixture, or equipment. The replacement must be of comparative value. The one percent minimum expenditure requirement shall not apply to such replacements.
- (e) No adjustment shall be made for the value of any improvements unless the owner shall present to the County valid written documentation of paid receipts from vendors for the cost of said improvements and all necessary permits and inspections for the improvements have been obtained.
- (f) The amount by which the sales price shall be adjusted shall be the estimated market value of the improvements when considered as additions or fixtures to the premises (i.e., the amount by which said improvements enhance the market value of the premises) at the time of sale. The administering agency shall have an estimate made by a qualified individual of its choice to establish the market value. A qualified individual shall be one who has, as a minimum, experience in residential construction. The owner may also have an appraisal made by an appraiser, of owner's choice and subject to approval of the administering agency, to establish the market value. If agreement cannot be reached, the average of the two estimates shall be termed the market price.

### 10. MARKETING OF AFFORDABLE UNITS LAST SOLD PRIOR TO APRIL 5, 1984

For affordable units which were last **sold** on or before April 5, **1984**, and which have a recorded Declaration of Restrictions that requires that the unit be sold within a limited period of time after being placed on the market or the affordability restrictions will be released, the owner shall provide a bona fide marketing program when the unit is offered for the sale. A bona fide marketing program shall be defined to be the equivalent of the complete marketing program and full services available through a reputable real estate brokerage firm for comparable residential property, including placement on the Multiple Listing Service. This marketing effort may be provided by the owner, by a real estate brokerage or other representative selected by the owner, or by the administering agency or its designee for the County's Affordable Housing Program. In every case, this marketing program shall be fully specified and documented by the owner, and approved by the administering agency prior to the acceptance of a Notice of Intent to Sell for the unit. **As** an alternative to providing the above bona fide marketing program, the owner may execute and submit to the administering agency a notarized written waiver of the recorded Declaration of Restrictions' time limit for the sale of the unit.

### 11. FEES

Upon the resale or refinance of an affordable unit, the owner shall be charged a fee by the administrative agency for the preparation of new Declarations of Restrictions and Requests for Notice of Default as may be required, and for the monitoring and processing of the transactions. In addition, the administering agency may charge each prospective purchaser and renter of an affordable unit a fee for the determination of eligibility. For units marketed by the administering agency, a fee as a percent of the unit sales price shall be charged to the seller. Fee amounts for these and other fees necessary to implement the County's Affordable Housing Program shall be established by the County's Unified Fee Schedule, which is adopted by resolution of the Board of Supervisors.

### 12. EXISTING UNIT CONVERSION PROGRAM GUIDELINES

A developer of a new housing development may opt to participate in the Existing Unit Conversion Program in lieu of constructing inclusionary units if the following conditions are met:

- (a) The use of this option is approved by the Approving Body as part of the original development permit.
- (b) The units to be converted must meet the minimum physical standards for all inclusionary units as described above in Section 6. Unit Standards. Each unit to be converted must have at least as many bedrooms as the

## 2001 SANTA CRUZ COUNTY AFFORDABLE HOUSING GUIDELINES

average number of bedrooms in the units proposed in the new housing development. Alternative unit options may be considered on a case by case basis, as outlined in subsection (g) below.

(c) The units to be converted must be located within the same Planning Area as the proposed project.

(d) The number of existing units that must be converted to affordable unit status in lieu of constructing each of the required affordable unit(s) in the project shall be based on the conversion ratio, as outlined below. The minimum allowable ratio for the program shall be two converted units per inclusionary unit required. The conversion ratio increases as market rate sale price increases, according to the formula below:

$$\text{Conversion Ratio} = \text{Average Sale Price of Market Rate Units} / \text{Measure J Unit Price}$$

The conversion ratio is determined by dividing the Average Sale Price of the Market Rate Units in the project by the Measure J Unit Price for a unit with the same number of bedrooms. The resulting number shall be rounded to the nearest whole unit. The table below illustrates the calculation for a variety of sample projects. This table is for illustration purposes only, as Measure J unit prices vary over time and must be calculated at the time the conversion ratio is to be determined.

Average Market Rate Sale Price	Measure J Unit Price*	Conversion Ratio	Number of Units Needed for Each Inclusionary Unit Required
\$550,000	\$225,000	2.44	2
\$600,000	\$225,000	2.67	3
\$750,000	\$225,000	3.33	3
\$900,000	\$225,000	4	4
\$1,100,000	\$225,000	4.89	5

\* Measure J Unit price varies based on number of bedrooms, interest rates, etc.

In the case of lot subdivisions, the conversion ratio shall be based on lot size rather than sale price, according to the table below:

Table Five – Conversion Ratio for Lot Subdivisions

Average Lot Size	Conversion Ratio	Number of Units Needed for Each Inclusionary Unit Required
up to 6,000 square feet	3:1	3
6,001 square feet to 2 acres	4:1	4
over 2 acres	5:1	5

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

(f) If the units to be converted are occupied and rented by moderate or lower income households at the time of conversion, the occupying tenants must be given the first right of refusal to purchase the units if they meet the eligibility requirements under these Guidelines and can obtain necessary financing within a reasonable amount of time. If tenants cannot be certified as eligible to purchase or cannot obtain necessary financing, relocation benefits pursuant to County Code Section 8.45.030(B)(1) must be provided as a condition of project approval.

### (g) Alternative Options

The Approving Body may approve, on a case-by-case basis, the use of alternative unit types to satisfy the

REVISED 0248

## 2001 SANTA CRUZ COUNTY AFFORDABLE HOUSING GUIDELINES

requirements of the Existing Unit Conversion program if the alternative proposed is deemed to be a preferable contribution to the affordable housing stock, by providing a greater number of units and/or an equal number of units at a greater level of affordability. These alternatives may include, but are not limited to, scenarios like the following:

A developer proposes to purchase a multi-family rental property and donate it to a local non-profit housing provider for rental to very low income households.

A developer building a project of 4 bedroom homes cannot locate existing units of sufficient size for conversion, so the developer proposes to substitute two 2-bedroom units (or a 3-bedroom unit and a 1-bedroom unit) for each 4-bedroom affordable unit required.

2001 Affordable Housing Guidelines.doc