

*DRAFT*  
MEASURE J HOMEOWNERSHIP PROGRAM GUIDELINES

**INTRODUCTION**

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

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

**Purpose:**

The Program was established to provide affordable home ownership opportunities to moderate- and lower-income, first-time home buyer households. The Program provides priority to purchase available Measure J homes to those eligible home buyer households who currently live or work in Santa Cruz County, as explained herein.

**Enabling Legislation:**

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

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## SECTION A. DEFINITIONS

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

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

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

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

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

**Eligible Household:** a Household (see definition below) that is eligible to purchase a Measure J home, as follows:

- A Household which is living together in the same dwelling unit at the time of, and has been living together in the same dwelling unit for at least six months prior to the date of Program application. This must be proven with Valid Third-party Documents, as defined herein and listed as required attachments in Program application forms, to verify that each member of the Household resides, and has been residing for six months, at the same dwelling unit and street address; and
- A verified Moderate-Income Household: Total gross (pre-tax) annual income and assets of all adult Household members aged 18 or older, combined, do not exceed the Program's income and asset limits provided in Exhibit I, adjusted for the size of the Household; and
- All adult Household members, except elderly, disabled, or young adults who are listed as financial dependents on the federal tax returns of another Household member, must provide evidence of membership in the Household, which includes sharing financial resources and responsibility for basic housing expenses, including rent and utilities. Such evidence shall be provided in Program application forms, as described in application forms and/or instructions;
- All of the current members of Applicant’s household must individually meet all Program eligibility requirements applicable to individuals, such as First Time Home Buyer status, as explained in Section B of these Guidelines.

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

1. A “displaced homemaker” who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has

not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or underemployed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family;

2. 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; or
3. 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:
  - i. Not permanently affixed to a permanent foundation in accordance with local or state regulations; or
  - ii. Not in compliance with state, local, or model building codes and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

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

**Guidelines:** these County of Santa Cruz Measure J Homeownership Program Guidelines.

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

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

**HCD:** the California Department of Housing and Community Development.

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

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

HUD, to determine applicants' income eligibility for the Program. This publication is available for review at the Planning Department.

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

**Maximum Sales Price:** the maximum sale price for sale or resale of Measure J Homes. The County updates the formula used to determine Maximum Sale Price for Measure J Units annually using current income limits and prevailing interest rates. The price shall be a purchase price which is affordable to a Moderate-Income Household, as adjusted by the assumed household size determined based on the number of bedrooms in the Measure J Unit.

**Measure J Home:** a home developed and provided for sale to moderate- or lower-income households pursuant to the Ordinance, at a price affordable to lower- or moderate-income households, as specified in the Ordinance and each development's Participation Agreement.

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

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

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

**Primary Applicant:** the Head of Household (see definition) of any Household which has submitted a Program application of any kind. The Primary Applicant is the first listed Applicant on a Program application, must be the primary borrower on the first mortgage loan, must take title to the Measure J home, and will be the primary point of contact for Program staff when communicating with the Household during the application process and (if approved) escrow period.

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

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

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

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

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

## SECTION B. BUYER ELIGIBILITY CRITERIA

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

1. First Time Home Buyer
2. Eligible Household
3. Moderate Income Household
4. Purchase-Ready
5. Living or Working in Santa Cruz County
6. Neighborhood Safety Criteria

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

### 1. First Time Home Buyer Status

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

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

*Exceptions to the First Time Buyer requirement:*

- An Applicant or other homeowner in the household meets one of the exceptions listed in the definition of first-time homebuyer (displaced homemaker, mobile homeowner, etc.) provided in Section A, as long as that owner sells such home prior to or concurrent with closing escrow on the Measure J home purchase. Net proceeds of the sale are counted toward Applicant's total household assets, and subject to the Program's asset limits as shown on **Exhibit I**.
- An Applicant who is renting a portion of a single-family home as their primary residence, such as one or more bedrooms, or an accessory dwelling unit, whether Applicant is related to the homeowner or not, must submit a copy of their lease for that portion of the home as part of their Measure J application, like all other renter applicants; and evidence of payment of rent for the prior six months; and their tax returns to verify that their household is independent of the homeowner's household. Staff may also request evidence that homeowner and/or other occupants of the home not included in Applicant's household will remain in the current home and not move into the Measure J home with Applicant, such as a copy of the other occupant(s) lease or title to the home or to other housing for the period after Applicant's home purchase.

- Applicants aged 62 or older (seniors) applying to purchase a Measure J home in an age-restricted senior housing complex (i.e., Vista Prieta or Casa La Familia), are not required to meet the First Time Home Buyer requirement. However, if the Applicant owns another home at the time of Program application, it must be sold before closing escrow on the Measure J senior home purchase. Proceeds from the sale of the home (net of any outstanding debts secured by the home and usual sales commission and closing costs) are counted toward Applicant's assets and subject to the applicable asset limits provided in Exhibit I.
- An Applicant living in an overcrowded situation with one or more occupants who are not part of Applicant's household, such as housemates or extended family members who are not included in Applicant's Measure J application and will not be moving into the Measure J home with Applicant. Overcrowding is defined as an occupancy greater than the maximum household size limits in the Occupancy Standards table provided in Exhibit III. In such cases, Applicant must be filing taxes separately from the homeowner and/or other household members who are not included in the Measure J application.

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

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

## **2. Eligible Household**

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

### *Verification of Household Composition:*

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

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

### **3. Moderate Income Household**

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

#### *Asset Limits*

In addition to meeting the income limits, the household's assets may not exceed the Program's asset limits provided in **Exhibit I**. Total household assets are compared to the asset limits using a six-month average of the Household's total assets according to monthly statements and/or other valuations for each of the six months prior to application date. The six-month average is used to avoid Applicant "asset dumping" (asset liquidation or transfer to other parties) just prior to Program application, in order to meet the asset limits. Assets held in IRS-recognized retirement accounts (401(k), 457 Plan, 403(b), IRA, etc.), up to the limits shown in Exhibit I, are not included for the purpose of determining whether an Applicant meets the Program's asset limits.

#### *Validity of Eligibility Determination*

Applicant eligibility determinations are valid for six months from the date of the Program eligibility letter. If the Applicant is still in escrow to purchase a Measure J home within six months of the date of the Program eligibility letter but will not close escrow within six months of that date, Applicant must provide additional income and asset documentation for the intervening months since the Program eligibility letter was issued. If Applicant is not in escrow when the six-month period expires, the eligibility letter will expire, and Applicant must complete and submit a new application, and pay the application fee again, in order to make an offer on another Measure J home. Applicants may submit updated eligibility documentation prior to the expiration of the eligibility letter, in order to extend the term of their eligibility by 60-days, to allow additional time to close escrow, if needed and if still in contract.



#### 4. Purchase-Ready

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

- a) Mortgage Qualification: Applicant must provide a current loan pre-qualification letter from a conventional residential lender for a thirty-year, fixed-rate mortgage in an amount equal to at least 70% of Measure J home price, which also meets the financing requirements described in Section F, and be able to obtain final approval for such loan by close of escrow.
- b) Down Payment: Sufficient savings available for a down payment of at least three percent (3%) of the home price, plus closing costs, which are typically approximately three percent (3%) of the home price (collectively, "Down Payment"). Gift funds may be used to provide not more than: 50% of Applicant's total Down Payment, or 10% of the Measure J home price, whichever is less. Any gift funds must be documented in Program application with a gift letter and all Down Payment funds must be "seasoned" for at least sixty days, as described further in the Program application form. Program approval to purchase will be conditioned upon Applicant's deposit of Down Payment in the amount stated in Application to Purchase into escrow by the closing date noted in purchase contract. If lender requires a higher down payment, Applicant must meet that requirement as stated in loan pre-qualification letter. Applicant may also use public or non-profit sector down payment assistance programs, such as closing cost grants from the association of realtors, CalHFA programs, etc. provided that they do not conflict with the Measure J Program restrictions and applicant provides a preapproval or commitment letter for the assistance in his/her Program application.
- c) Credit Score/History: Credit score(s) of 620 or higher, and no bankruptcies or foreclosures within three years prior to application date. Lenders may require higher scores or higher standards regarding credit history.
- d) Homebuyer Education: Primary applicant must have taken a HUD-certified home buyer course and provide a certificate or proof of completion in Program application. Various online and in-person, HUD-approved home buyer education providers are listed in Exhibit V to these Guidelines. Course must be completed prior to making an offer on a Measure J home.

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

#### 5. Live or Work in Santa Cruz County

In order to purchase a Measure J home, Applicant must qualify as a household that is either Living in Santa Cruz County and/or Working in Santa Cruz County, both as defined in Section A of these Guidelines. This status must be in effect for at least sixty days prior to Applicant's submittal of a Program eligibility application. Applicants to purchase Measure J units restricted for occupancy

to applicants aged 62 or older (i.e., Vista Prieta, Casa la Familia) may request a waiver of this live/work requirement if the unit has been actively marketed on the MLS for at least 90 days prior to seller's acceptance of an offer from an Applicant who does not meet the live or work requirement.

## **6. Neighborhood Safety Criteria**

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

## SECTION C. APPLICATION PROCESS

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

Detailed application instructions are provided in Program application forms. The Program currently uses a two-step application procedure, each of which has a separate form and application fee, as explained further below:

1. Eligibility Application: To determine whether Applicant is eligible for the Program. This includes a review of Applicant's application materials to determine if Applicant's household is at or below the moderate-income limits, to verify household size, to determine what home size(s) the household qualifies for, and whether Applicant meets the first-time homebuyer and other eligibility criteria stated in Section B of these Guidelines.
2. Application to Purchase: Submitted when eligible Applicant has made an offer on a Measure J home, to determine that proposed financing and other purchase transaction details meet Program requirements, including the affordability and financing standards in Section F.

Measure J Program Fees are listed in **Exhibit IV** of these Guidelines. Currently most Applicants submit both of the above applications and fees at the same time, based on the County's practice of requiring a signed contract for purchase of a Measure J home, with a contingency clause for County approval. However, in some cases as explained below, the County may solicit a limited number of Eligibility Applications during a certain time period, with the Application to Purchase to follow only once it is clear which applicant will be purchasing which available home.

The main steps required to apply for a Measure J home are explained below:

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

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

2. View listings of available Measure J Homes

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

3. Obtain pre-qualification for a first mortgage loan

Applicant(s) must obtain a pre-qualification letter for a thirty-year, fixed-rate first mortgage from a financial institution or lender providing conventional, residential mortgages. The letter must state the maximum amount Applicant could borrow in a conventional first mortgage that meets the loan requirements explained in Section F, and the amount of down payment required by lender. All adult Applicants must be named on the pre-qualification letter and must take joint title to the home, unless Program staff has granted an exception for one or more adults, as described in Section B.

#### 4. Complete and Submit Program Eligibility Application

Applicants may obtain the Eligibility Application from the Planning Department or download it from the Program's website. Applicants must complete the application according to the instructions provided, pay the Eligibility Application fee, and submit the application to the County Housing Division. If the application is determined to be incomplete, staff will return the entire package to the Applicant for completion. Until the application has been deemed to be complete, staff will not review the application or issue any determination of eligibility. Every effort will be made to review all completed applications and issue a determination letter within 21 days or less of the date of submittal of a complete application. Often a letter can be issued in a much shorter time period, depending on volume of applications and related factors.

Households or individual applicants unable to produce any particular document required in the application form for legitimate reasons beyond their control (natural disaster, military service, refugee status, domestic violence, witness protection program, disability etc.) may request an exception for that particular document, pursuant to the exception procedures explained in Section E of these Guidelines. Upon such request, Program staff may request a reasonably equivalent alternative document and/or any additional supporting documentation deemed necessary by the Housing Manager to verify eligibility of the Applicant/Co-Applicant and/or their entire Household.

#### 5. Receive Program Letter of Eligibility/Ineligibility

Upon completing review of an application, Program staff will provide Applicants with a written letter stating whether their household is eligible, and if so, the size(s) of Measure J home (minimum and maximum number of bedrooms) for which their household qualifies, and related information or instructions for next steps. Each eligibility determination letter (eligible or ineligible) is valid for six months, after which time it expires and is no longer valid for any purpose.

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

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

#### 6. Attend HUD-approved Home Buyer Class

Applicants shall complete a HUD-approved home buyer education class prior to closing escrow on a Measure J home. This is to ensure that the buyer fully understands the process of home buying, the various options available in selecting a home and a loan, and the potential consequences of each decision. The County provides access to Homebuyer Education through

the Watsonville Law Center at no charge to participants. A list of HUD-approved home buyer classes is provided in Exhibit V. Online and in-person classes are available. Most classes provide a certificate of completion to attendees. Applicants shall include this certificate, or equivalent written verification from the provider, with their Application to Purchase. Applicants shall also make an appointment with Program staff to review all Measure J home buyer disclosures and agreements after being determined eligible for the Program and prior to submitting an offer to purchase a Measure J home.

7. Select an available Measure J home and sign offer to purchase

After receiving the Program eligibility determination letter verifying that the Applicant is eligible, Applicant may view available homes and submit an offer on an available Measure J home within the size range for which they qualify. Seller shall request and Applicant shall provide Seller with a copy of applicant's eligibility letter from Program staff prior to accepting an offer to purchase a Measure J home, or prior to releasing the Measure J contingency on the contract, if applicable.

8. Submit Application to Purchase, with accepted purchase contract, to County

Applicant completes and submits Application to Purchase form with required attachments and Underwriting Fee. Attachments include a copy of the purchase contract signed by buyer and seller, with contingencies for final County escrow approval, loan approval, and inspections, original Measure J Addendum, and the Measure J Underwriting Fee. If the Application to Purchase is being submitted more than 90 days after the date of any income and asset documentation provided in Eligibility Application (but eligibility letter has not yet expired), current documents (such as pay stubs and bank statements) must also be included with the Application to Purchase.

9. Application to Purchase conditionally approved or denied by County

The County will review the Application to Purchase to verify that the terms of the purchase contract, proposed financing, and associated application contents meet all program requirements, and that Applicant's household remains eligible, prior to issuing a conditional letter of approval to permit the opening of escrow.

10. Final Approval and County instructions to Escrow

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

## **Section D. PROGRAM ADMINISTRATION**

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

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

### **1. Public Outreach and Marketing**

#### *Outreach and Marketing*

Program staff provides Program information online, via email and print brochures, and at various public presentations and seminars.

#### *Interest List*

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

Program announcements are generally sent to those on the interest list as homes are listed for sale. Persons on the list are responsible for notifying Program staff if/when their email address or primary contact information has changed. The interest list is not a waiting list, and it does not provide any priority, preferences, eligibility, or any other special status or rights to anyone on the list. Being on the interest list does not provide any party with any rights to or interests in a Measure J home in particular or in general, or to any other Measure J program benefits. Staff will notify those on the interest list when new or resale Measure J homes become available for sale, along with seller's contact information and related information.

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

#### *Ranked Lists*

Currently the Housing Division does not maintain a waiting list for Measure J homes. However, Program staff may establish a ranked list for new developments or units being marketed directly by the County, such as if the County has exercised its option to purchase a unit. The Housing Manager shall determine if and when a ranked list should be established by random drawing or

other fair method deemed appropriate. A preliminary (self-certified) application process may be used solely for entry into the random drawing, to be followed by the standard application process described in Section E, for those at the top of the list.

## **2. Application Review and Determination of Eligibility**

The Housing Division will accept and review applications for completeness upon receipt. Incomplete applications will be returned to the applicant with instructions for completion. Upon determination of completeness, staff will determine applicant's eligibility based on the contents of the application. Staff will provide an eligibility determination letter within twenty-one (21) days of receipt of a complete application. This letter will state whether the Applicant is eligible or ineligible, and if eligible, the size(s) of Measure J home his/her Household may purchase. Staff will schedule an appointment with Applicant to answer any questions, discuss available listings, and explain the next steps in the process of buying a Measure J home. At the same time or at a subsequent appointment, staff will review all of the Program's disclosure forms and legal agreements with the Applicant.

### *Determination of Measure J Home Size*

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

Generally, two household members of the same gender may share a bedroom (children, siblings, unrelated or related adults, etc.) but those of opposite gender will qualify for separate bedrooms. Couples of any kind (married, domestic partner, or unmarried couple) qualify for one bedroom. Children are not required to share a bedroom with a parent or other adult of any gender. Children of the same gender with an age difference of three or more years may qualify for their own bedroom, or may share, depending on the size of homes available and Applicant's preferences. Applicants with a live-in home health care aide or other special needs related to home size may request a reasonable accommodation to the Occupancy Standards if needed, as described in subsection 3 below. Depending on the particulars of Applicant's household composition, Applicant may qualify for a range of home sizes (i.e., a five-person household might qualify for homes of 2-4 bedrooms), or just one size (i.e., a single adult household of 1 will only qualify for a 1-bedroom). Larger homes are generally priced higher than smaller homes, therefore Applicant must also verify that they can afford the price of the Measure J home they wish to purchase, in addition to meeting the Occupancy Standards.

## **3. Exceptions and Appeals**

### *Exception Requests*

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

request. Exceptions to the Program's Moderate-Income Household requirement are not granted, in order to comply with the Ordinance.

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

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

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

#### *Appeals Procedure*

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

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

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



## Section E. Measure J Home Financing and Affordability Standards

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

1. Affordability Standards
2. Financing Requirements
  - a) General Requirements
  - b) Purchase Money Financing
  - c) Refinancing Requirements

### 1. Affordability Standards

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

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

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

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

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

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

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

## **2. Financing Requirements**

### *a) General Requirements*

The following general financing requirements apply to all Measure J homes:

- i. No mortgage or other residential loan secured by a Measure J home (including home equity loans or lines of credit, etc.) may include any of the following terms or rates:
  - Prepayment penalty
  - Balloon payments
  - Negative amortization (such as interest-only payments, etc.)
  - Adjustable and/or non-prime (predatory) interest rates
- ii. Home equity lines of credit (HELOCs) and hard money loans are prohibited.
- iii. "Co-signers" (those not included as a Co-Applicant, or in the case of refinances, on title to Measure J home) are not allowed on any loan secured by a Measure J home.
- iv. Borrower's front and back ratios may not exceed the limits set forth above in the Affordability Standards subsection, using the ratios corresponding to the borrower's actual income level at time of loan application.
- v. All first mortgage loans must be provided by a conventional residential lender with an active mortgage broker or lending license to do residential lending in California, with standard underwriting and loan servicing capabilities. This includes credit unions licensed to issue mortgages in California, as well as for-profit banks, lending institutions and mortgage brokers.
- vi. First mortgage (both purchase money and refinance loans) must include impounds for property taxes, property insurance, and HOA dues, if any.

*b) Purchase Money Financing*

In addition to the requirements listed above, the following requirements apply to loans used to purchase a Measure J home ("Purchase Money" financing):

- i. Applicant must buy the home using a first mortgage loan equal to at least 70% and not more than 97% of the contract sales price. The first mortgage must be a 30-year, fixed interest rate, fully amortized loan issued by a conventional residential lender as described above. Private-party, family member, or seller/agent loans, gifts, etc. may not be used in full or part as a substitute for a first mortgage equal to at least 70% of the home price.
- ii. Public sector and/or non-profit loans or grants may be used (FHA, Cal-HFA, VA, etc.) for any combination of the following: first mortgage, junior financing, down payment "silent second" loans, closing cost assistance, etc., provided that the lender agrees to lend on a Measure J home, and has approved the Program agreements and recordable documents used to secure the Measure J restrictions.
- iii. Combined Loan to Value (CLTV) ratio of all loans used to purchase the home, combined, including any junior financing described in subsection ii above, may not exceed 97% of the approved Measure J contract sales price, as shown on the County's escrow instructions, executed purchase contract, and final settlement statement.
- iv. Any loans requiring repayment that are secured by a deed of trust against the Measure J home, including non-profit or public sector "soft loans", whether deferred or forgivable in full or in part, are considered loans, not grants. Such loans are included in the CLTV and subject to the 97% limit on CLTV. Actual bona fide grants and/or gifts (no deed of trust and no repayment due) are not included in the 97% CLTV limit.

*c. Refinancing Requirements*

Refinance loans must comply with all General Requirements listed above, in addition to the following:

- i. At time of refinancing, the CLTV, including the proposed refinance loan plus any other debts secured by the property that will remain outstanding post-refinance, may not exceed 90% of the Measure J home's then-current Maximum Resale Price, or current appraised value, whichever is less. Secured debts included in the CLTV ratio include junior financing, lines of credit, if any, as well as any tax liens, court judgements, etc. secured by the home. If homeowner has recently purchased the home and put less than 10% down, homeowner will need to have paid down some amount of principal prior to refinancing in order to meet the 90% CLTV refinance limit.
- ii. Homeowners must obtain the County's written approval to refinance prior to refinancing or encumbering their Measure J home with any new debt after their purchase of the home. To obtain County approval, homeowners must complete and submit a Refinance Application, available at the link below, and pay the Refinance fee at least ten days before County approval is needed. Refinance review procedures and timelines are further described at the link below. Submittal of the refinance application and fee does not guarantee approval of the homeowner's proposed loan. The fee is non-refundable once paid, whether the refinance is approved by the County or not.

- iii. Refinancing includes refinancing any outstanding mortgages or loans on the home, taking out a new loan (junior loan, home equity line of credit, second or third mortgage, reverse mortgage, personal loan, etc.) to be secured by the home, and/or otherwise encumbering the home with any lien.
- v. All proposed refinance loans must meet the all of the Financing Requirements listed in subsection 2, which prohibit terms such as negative amortization, adjustable interest rates, balloon payments, and lines of credit.
- vi. Limitations on “cash-out” refinancing: Cash-out loans include any refinance where the principal amount of the proposed new loan exceeds the outstanding principal balance of the existing loan by more than 2% or \$6,000, whichever is less (to allow for reasonable loan fees and closing costs). The County will only approve cash-out refinances under the following limited scenarios:
  - For the purpose of paying for home repairs or rehabilitation needed to correct health and safety code deficiencies in the home when homeowner does not have adequate assets or income to pay for the required repairs; or
  - To address other hardship scenario due to forces outside the homeowner’s control which could not be resolved in any manner other than the cash-out refinance, and puts the home at risk of loss to the Program, subject to the review and approval of the Housing Manager, at his/her sole discretion.

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

- vii. The County performance deed of trust will not be subordinated to cash-out (non-purchase money) loans or to any loan not meeting the requirements of these Guidelines.
- viii. If any County loans, including those provided by the former Redevelopment Agency (RDA) are outstanding on the home at the time of a proposed refinance, the terms and restrictions of that loan program will also apply, and repayment of the County loan may be required as part of the refinance in some cases.

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

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

Lenders, appraisers, and escrow officers are also encouraged to review this information whenever handling a proposed Measure J home financing transaction.

## **Section F. Long-Term Measure J Ownership and Occupancy Requirements**

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

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

### **1. Term of Restrictions.**

Measure J homes are restricted for "the life of the unit", sometimes referred to as in perpetuity. This restriction runs with the land and is binding on all subsequent buyers of the unit.

### **2. Primary Residence & Owner Occupancy**

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

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

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

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

### **3. Annual Certification of Owner Occupancy**

Homeowners must provide the County with an annual written certification that they continue to occupy their home as their primary residence, with Valid Third Party Documentation (such as property tax statement, utility bill, etc.) of such occupancy. Program staff will provide Homeowners with a certification form annually for Homeowner to complete and submit to the Housing Division. The County may request additional documentation from the owner(s) if needed to verify primary residency in the home. In the event Program staff fails to provide any Homeowner with the

certification form in a given year, Homeowners are still required to provide written verification of their occupancy on an annual basis, using the form provided by the County in a prior year, or by writing a letter to the Housing Division, Attention: Housing Manager.

#### **4. Rental of Measure J Home**

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

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

#### **5. Unauthorized Sale or Transfer of Home Prohibited**

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

#### **6. Resale Procedures**

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

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

## **7. Maintenance of Home**

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

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

## **8. Default and/or Foreclosure**

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

## **Section G. Program Compliance**

### *Burden of Proof of Eligibility*

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

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

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

### *False Statements or Misrepresentations*

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

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

### *Unauthorized Rental, Sale, or Transfer of Measure J Home*

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



*Severability*

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

**EXHIBITS**

- I. Program Income and Asset Limits
- II. HUD Income and Assets Inclusions and Exclusions List
- III. Occupancy Standards
- IV. Measure J Program Fee Schedule
- V. Maximum Sale Prices for Measure J Units

**Exhibit I****Program Income and Asset Limits**

2019

**A. Household Income Limits**

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

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

Maximum Gross Household Income	Number of Persons in Household							
	1	2	3	4	5	6	7	8
	\$82,300	\$94,100	\$105,850	\$117,600	\$127,000	\$136,400	\$145,800	\$155,250

*Effective May 6, 2019. Updated annually by HCD, generally in April or May.*

**B. Household Asset Limits**

Applicants' total combined household assets (as defined in Exhibit II, Asset Inclusions and Exclusions) may not exceed the following limits, based on the type of Primary Applicant:

Table B: Measure J Home Buyer Program Asset Limits

<b>Applicant Type</b> <i>(Age of Primary Applicant)</i>	<b>Limit for General Assets</b> <i>(any assets other than Retirement Assets and/or asset types excluded in Part 5 asset exclusions list)</i>	<b>Limit for Retirement Assets *</b>
Non-Senior: aged 61 years or younger	\$75,000	Amount equal to annual income limit for Applicant's household size
Senior: aged 62 years or older	<ul style="list-style-type: none"> <li>\$100,000 if buying All-Age Measure J Home; or</li> <li>Amount equal to price of proposed Senior Measure J Home, if Applicant is selling current home</li> </ul>	Two times the annual income limit for Applicant's household size

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

In determining whether Household's assets are within the Asset Limits, staff will average each account's balance from the prior six (6) monthly statements for each monetary asset (bank, credit

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

## Exhibit II

### Income and Asset Inclusions and Exclusions

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

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

The Part 5 list of income and asset inclusions and exclusions, updated by HUD in May 2019, is provided in the following pages of this Exhibit. This list is also available online at:

[https://files.hudexchange.info/resources/documents/HUD\\_P5\\_Inclusions\\_Exclusions.pdf](https://files.hudexchange.info/resources/documents/HUD_P5_Inclusions_Exclusions.pdf)

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

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

**Part 5 (Section 8) Income Inclusions and Exclusions**

**24 CFR 5.609(b) and (c)**

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

**INCOME INCLUSIONS:**

- (1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
- (3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
- (4) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a \*\*periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;\*\*
- (5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;
- (6) Welfare Assistance.
  - (a) Welfare assistance received by the family.
  - (b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in

accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

- (c) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
  - (d) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.
- (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and
- (8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.
- (9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph "financial assistance" does not include loan proceeds for the purpose of determining income. \*(Note: This paragraph also does not apply to a student who is living with his/her parents who are applying for or receiving Section 8 assistance.)\*

**INCOME EXCLUSIONS:**

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);



- (8)
  - (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);
  - (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
  - (b) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
  - (c) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident- initiative coordination. No resident may receive more than one such stipend during the same period of time; or
  - (d) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program.
- (9) Temporary, nonrecurring, or sporadic income (including gifts);
- (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);
- (11) Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
- (12) Adoption assistance payments in excess of \$480 per adopted child;
- (13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;
- (14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
- (15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or
- (17) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the *Federal Register* and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. *NOTE: the following is the updated list from the Federal*



Register dated May 20, 2014.

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

- (a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 [b]);
- (b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (e.g., employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- (c) Certain payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c]);
- (d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);
- (e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);
- (f) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 94-540, section 6);
- (g) The first \$2,000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U. S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408). This exclusion does not include proceeds of gaming operations regulated by the Commission;
- (h) Amounts of scholarships funded under title IV of the Higher Education Act of 1965 (20 U.S.C. 1407-1408), including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu). For section 8 programs only (42 U.S.C. 1437f), any financial assistance in excess of amounts received by an individual for tuition and any other required fees and charges under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall not be considered income to that individual if the individual is over the age of 23 with dependent children (Pub. L. 109-11, section 327) (as amended);
- (i) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056g) (e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program);
- (j) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in *In Re Agent Orange Liability Litigation*, M.D.L. No. 381 (E.D.N.Y.);
- (k) Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96-420, 25 U.S.C. 1728);
- (l) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);

- (m) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, for programs administered under the United States Housing Act of 1937, title V of the Housing Act of 1949, section 101 of the Housing and Urban Development Act of 1965, and sections 221(d)(3), 235, and 236 of the National Housing Act (26 U.S.C. 32[l]);
- (n) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);
- (o) Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);
- (p) Any allowance paid under the provisions of 38 U.S.C. 1833(c) to children of Vietnam veterans born with spina bifida (38 U.S.C. 1802-05) children of women Vietnam veterans born with certain birth defects (38 U.S.C. 1821), and children of certain Korean service veterans born with spina bifida (38 U.S.C. 1821);
- (q) Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602);
- (r) Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931(a)(2));
- (s) Any amount received under the Richard B. Russell School Lunch Act (42 U.S.C. 1780(e)) and the Child Nutrition Act of 1966 (42 U.S.C. 1780(b)), including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC);
- (t) Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990 (25 U.S.C. 1774f(b));
- (u) Deferred amounts from Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts (42 U.S.C. § 1437a(b)(4));
- (v) Compensation received by or on behalf of a veteran for service-connected disability, death, dependency, or indemnity compensation as provided by an amendment by the Indian Veterans Housing Opportunity Act of 2010 (Pub. L. 111-269; 25 U.S.C. 4103(9)) to the definition of income applicable to programs authorized under the Native American Housing Assistance and Self-Determination Act (NAHASDA) (25 U.S.C. 4101 *et seq.*) and administered by the Office of Native American Programs;
- (w) A lump sum or a periodic payment received by an individual Indian pursuant to the Class Action Settlement Agreement in the case entitled Elouise Cobell et al. v. Ken Salazar et al., 816 F.Supp.2d 10 (Oct 5, 2011 D.D.C.), for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010 (Pub. L. 111-291);
- (x) Any amounts in an "individual development account" as provided by the Assets for Independence Act, as amended in 2002 (Pub. L. 107-110, 42 U.S.C. 604(h)(4));
- (y) Per capita payments made from the proceeds of Indian Tribal Trust Cases as described in PIH Notice 2013-30 "Exclusion from Income of Payments under Recent Tribal Trust

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

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

## Part 5 (Section 8) Asset Inclusions and Exclusions

### ASSET INCLUSIONS:

- (1) Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.
- (2) Cash value of revocable trusts available to the applicant.
- (3) Equity in rental property or other capital investments. Equity is the estimated current fair market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., penalties or broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
- (4) Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.
- (5) Individual retirement, 401(K), and Keogh accounts (even if withdrawal would result in a penalty). While an individual is employed, count only amounts the family can withdraw without retiring or terminating employment. After retiring or terminating employment, count as an asset any amount the employee elects to receive as a lump sum.
- (6) Annuity where the applicant has the option of withdrawing a balance (even if withdrawal would result in a penalty).
- (7) Retirement and pension funds.
- (8) Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).
- (9) Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.



- (10) Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, cash from sale of assets, victim's restitution, insurance settlements, and other amounts not intended as periodic payments.
- (11) Mortgages or deeds of trust held by an applicant.
- (12) Assets disposed of for less than fair market value (e.g. property) when the fair market value of all assets given away during the past two years exceeds the gross amount received by more than \$1,000.

**ASSET EXCLUSIONS:**

- (13) Necessary personal property, except as noted in number 9 of Inclusions, such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities.
- (14) Interest in Indian trust lands.
- (15) Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
- (16) Equity in cooperatives in which the family lives.
- (17) Assets not accessible to and that provide no income for the applicant.
- (18) Term life insurance policies (i.e., where there is no cash value).
- (19) Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.
- (20) Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce, or separation.
- (21) IRA, Keogh, and similar retirement savings accounts where benefits are being received through periodic payments.
- (22) Lump sum payments where the money is used for something that is not an asset— e.g. a car or a vacation or education.

**Exhibit III:****Occupancy Standards**

To determine the size of Measure J home (number of bedrooms) an Applicant may be eligible to purchase, the number of people in his/her household, and their age, gender and familial relationships (siblings, couples/spouses, parent, child, etc.) are considered. The maximum occupancy allowed in a Measure J home is two people per bedroom, plus one additional person. The minimum allowed is no fewer than one person per bedroom, however couples and household members (particularly young siblings) of similar age and same gender are required to share a bedroom, unless a reasonable accommodation is approved. Reasonable accommodations to these standards may be requested in the case of medical or disability needs and will be considered on a case-by-case basis.

<b>Number of Bedrooms in Measure J Home</b>	<b>Minimum Household Size</b>	<b>Maximum Household Size</b>
One	1	3
Two	2	5
Three	3	7
Four	4	9
Five	5	11

Some households may qualify for a range of bedroom sizes (e.g., a 3-person household may qualify for a 1-, 2- or 3-bedroom home), depending on specific household characteristics, and may choose to buy whichever sized home they prefer, among those for which they qualify, assuming they can afford the home's price. Program staff will review household composition details provided in Eligibility Applications and notify Applicants in their initial Eligibility Determination letter what home size they are eligible to buy. If Applicant's household size and/or composition changes between date of Eligibility Application and date of Application to Purchase (according to information provided in Applications), Applicant may be determined to qualify for a different home size(s) than that stated in initial Eligibility Determination Letter.

**Exhibit IV:****Measure J Administrative Fees**

*[Proposed; pending Board approval and update of the fee schedule]*

All Fees Are Non-Refundable once paid, regardless of whether application or contemplated transaction is approved or not.

Fees 1 and 2 are due concurrently if Applicant is in contract for a specific home when they submit their Eligibility Application. In the case of a random drawing or other situation where an Applicant does not yet know which home they will be purchasing, Fee 2 will not be due until Applicant has entered into contract for a specific home and has a complete loan application available to submit (1008/1003).

<b>Fee Name</b>	<b>Purpose</b>	<b>Amount</b>
1. Measure J Homebuyer Program Eligibility Verification Fee	Review applicant's Eligibility Application to determine if they are eligible to buy a Measure J home, and if so, the size(s) of Measure J home for which the household qualifies. Paid by Applicant.	\$50
2. Measure J Underwriting Fee	Review and verify the applicant's Measure J Application to Purchase, which includes the proposed Purchase and Sale Contract, proposed financing terms and amounts, and updated eligibility documentation (if documentation in initial Eligibility Application is more than 90 days old). This review also determines if Applicant's household is eligible to purchase the size of home (number of bedrooms) indicated in the Purchase Contract. Paid by Applicant.	\$200
3. Measure J Sales Fee	Preparation of County escrow instructions; final coordination with loan and escrow officers, buyer and seller, real estate agents; preparation of the Measure J covenants, deeds of trust, and other legal forms; and long-term compliance monitoring costs. Paid by Seller.	\$550
4. Refinancing Fee	Review and issue a determination letter for Measure J Refinance Applications. Explain application process and provide customer service to applicant, coordinate with lender and escrow office; if approved, prepare and deliver escrow instructions and recordable documents, including Request for Notice of Default.  Paid by Homeowner.	\$300

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

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

**Exhibit V:**

**HUD-Approved Homebuyer Classes**

**WATSONVILLE LAW CENTER HOMEBUYER EDUCATION CLASS**

Classes are several hours long and are held at least once a month in English and Spanish. Call the Watsonville Law Center at (831) 722-2845 for more information and to register for the class. The deadline to sign up for a Saturday class is 5pm on the Thursday before. There is no fee for Measure J applicants to attend this class.

**ONLINE CLASSES**

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

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

<https://www.hometrek.org/>

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

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