

# City of Carpinteria



## Affordable Housing Policies and Procedures 2010

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Affordable Housing Policies and Procedures 2010**

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## I. Introduction

This handbook describes the City's procedures in carrying out the provisions of its Density Bonus and Inclusionary Housing Ordinances. The Affordable Housing Policies and Procedures were originally adopted by the City Council on September 13, 2004. This document updates that original document and was adopted on September 13, 2010 pursuant to City Council Resolution No. 5275 (attached as Appendix 1).

These policies and procedures are implemented by the City in furtherance of the City's stated goal of encouraging the development of housing that is affordable to a wide range of targeted households. This handbook sets forth the formulas for establishing maximum rents and sale prices, for determining affordability requirements for projects receiving density bonuses and for qualifying rental or ownership households for participation in the City's affordable housing program. Information is also provided on the in-lieu housing fee and the City's Affordable Housing Trust Fund.

Detailed information about the City's affordable housing program and an inventory of affordable housing units is contained in the Housing Element of the General Plan. The City Council has made a commitment to address the City's affordable housing challenges by implementing the policies and strategies of the Housing Element to achieve its goals and objectives.

To carry out two important Housing Element programs, the City Council adopted two ordinances that became effective in July 2004.

**The Density Bonus Ordinance (Ordinance No. 601)** establishes provisions for affordable housing pursuant to State law. The ordinance targets very-low, low and moderate income as well as senior households. A density increase of up to 25% is allowed for residential projects of five or more units that provide a percentage of affordable housing. Developers may request one incentive to assist in maintaining affordability for the project.

**Inclusionary Housing Requirement Ordinance (Ordinance No. 590)** requires all residential ownership projects of five or more units to provide onsite affordable housing for above-moderate income households. The inclusionary housing requirement is 12% of the total number of net new market rate units with sale prices set for households earning 121% of median income. Developers are allowed to request one incentive to assist in maintaining affordability for the project. The City Council also adopted an in-lieu housing fee associated with the Inclusionary Housing Requirement Ordinance. This fee may be paid only when a finding is made that providing onsite inclusionary housing is infeasible. The methodology for calculating in-lieu fees for single family units and condominium units was adopted as part of the Inclusionary Housing Ordinance. The ordinance specifies that the City Council will adopt the amount of the in-lieu fee by resolution and that the Council may review and adjust the amount of the in-lieu fee annually.

The policies and procedures set forth in this handbook are consistent with the General Plan/Coastal Plan and the Zoning Code, including Chapters 14.75 and 14.77 (Ordinances 590 and 601 respectively) of the Carpinteria Municipal Code which establish regulations relating to Inclusionary Housing and Density Bonus requirements that implement policies of the City's General Plan/Coastal Plan. Further, these policies and procedures shall not be construed in any way to modify zoning regulations and the application of these guidelines on a case-by-case basis is consistent with both zoning and General Plan/Coastal Plan policies.

## II. Affordability Defined

**Affordable Housing.** The term "affordable housing" has a specific meaning to the City of Carpinteria. A guiding principle of the City's affordability requirements is that households should not be required to pay more than 30% of their gross monthly income on rent and utilities, or 30% on house payments, homeowners' association dues and insurance. Affordable housing units must remain affordable for the term of the affordability controls.

**Income Categories and Area Median Income.** The U. S. Department of Housing and Urban Development (HUD) determines the Area Median Income (AMI) annually. The applicable local area is Santa Barbara County (HUD does not provide a median income specifically for the City of Carpinteria). When used in this handbook, AMI refers to the HUD Area Median Income for Santa Barbara County. The AMI as of May 2010 was \$71,400 per year for a four-person household.

The City uses this figure as a basis for calculating the maximum sale prices and rental rates under the City's affordable housing program. The City's affordability requirements refer to the following income categories, which are based on various percentages of the AMI as shown in Table 1 below.

**Table 1  
Income Categories**

Income Category	Percentage of Area Median Income
Very-Low Income	50% or lower
Low Income	>50% - 80%
Moderate Income	>80% - 120%
Above-Moderate Income	>120% - 200%

**Adjustment for Household Size.** The Area Median Income corresponds to a four-person household. As shown in Table 2, the AMI is adjusted to correlate to the actual number of persons in a household. This formula is based on the rationale that a larger household requires a higher income to maintain a minimum standard of living. A multiplier is applied to the Area Median Income for a household of four to adjust for different household sizes. For example, the median income for a household of three is 90% of that of a household of four, and the median income for a household of five is 108% of that of a household of four.

**Table 2**  
**May 2010 Area Median Income Adjusted by Household Size**

Number of Persons	1	2	3	4	5	6
Adjusted Median Income	\$49,980	\$57,120	\$64,260	\$71,400	\$77,112	\$82,824
% of Four-Person Income	70%	80%	90%	100%	108%	116%

These numbers are used to establish the financial eligibility of renters and purchasers under the affordable housing program. The maximum income is calculated by multiplying the median income adjusted by household size (Table 2) by the maximum percentage of median income corresponding to the income category (Table 1). For example, the maximum income<sup>1</sup> for a three-person household to be in the low-income category would be  $(\$64,260 \times 80\%) = \$51,450$  (rounded<sup>2</sup>).

Table 3 below shows the maximum income for households of various sizes in each income category (such as “low income” or “above-moderate income”). The City uses these income limits to determine the eligibility of renters and purchasers for affordable housing units. These maximum incomes were calculated using the percentage basis of Area Median Income shown in Table 2, together with the upper end of the income range for each income category. For example, the maximum annual income for a three-person household in the low income category would be  $(\$64,260 \times 80\%) = \$51,450$  (rounded).

**Table 3**  
**Maximum Income by Income Category**  
**Based on the May 2010 AMI of \$71,400**

Category	Range of % of AMI	Number of Persons in the Household					
		1	2	3	4	5	6
Very-Low	Up to 50%	\$ 25,000	\$ 28,600	\$ 32,150	\$ 35,700	\$ 38,600	\$ 41,450
Low	>50 – 80%	\$ 40,000	\$ 45,700	\$ 51,450	\$ 57,150	\$ 61,700	\$ 66,300
Moderate	>80 – 120%	\$ 60,000	\$ 68,550	\$ 77,150	\$ 85,700	\$ 92,550	\$ 99,400
Above-Moderate	>120 – 200%	\$100,000	\$114,250	\$128,550	\$142,800	\$154,250	\$165,650

<sup>1</sup> “Income” includes not only wages or salaries of all adult household members, but also earnings on assets such as stocks and bank accounts.

<sup>2</sup> Income limits have been rounded up to the nearest \$50 per HUD. Refer to [http://www.huduser.org/portal/datasets/il/i/10/IncomeLimitsMaterials\\_FY10.pdf](http://www.huduser.org/portal/datasets/il/i/10/IncomeLimitsMaterials_FY10.pdf)

**Target Income and Housing Costs.** The target income is expressed as a percentage of AMI. This target income percentage will vary according to the income category that the housing is intended to serve. For example, a household is classified as low income if the household's income falls between >50% and 80% of AMI, adjusted by household size. Thus, a four-person household would be a low income household if its annual gross income is less than \$57,150 (rounded) as shown in Table 3 above.

The City considers housing cost to be affordable if the household pays no more than 30% of its income on housing. Therefore, the City uses a "target income" level to set the housing cost for an affordable unit. The target income level is set toward the lower end of the income range for each income category to ensure affordability by making the housing cost less than or only slightly more than 30% of the household income.

**Qualifying for an Affordable Housing Unit.** The City has adopted requirements to qualify households for affordable rental and ownership units. The City requires that a specified period be set for advertising the availability of affordable rental units and the initial availability of ownership units. A lottery will be used during the qualifying process for the initial sale of affordable ownership units. The lottery will establish the order in which pre-qualified households will be fully qualified and then offered a unit for purchase. Preference points for the lottery process are given to households that meet certain criteria. There is no lottery for rental units.

### III. Affordable Housing Permit Process

Density bonus or inclusionary housing projects with affordable dwelling units go through the same development review process as other residential development applications, but are subject to additional information submittals. Projects with an affordable housing component will be prioritized in the permit process. The following outline describes the review process for rental or sale of affordable units.

1. Pre-Application Meeting. During the initial planning stage, the developer may wish to meet with staff to discuss possible development incentives as well as the probable affordability requirements. This step is recommended but not required.
2. Application Submittal. The developer files an application for development providing all standard required application materials. Planning staff will review the application and an Inclusionary Housing Plan. This plan must be received before the application can be deemed complete. If the project must provide inclusionary housing, then at a minimum, the Inclusionary Housing Plan must contain:
  - a. A site plan depicting the location of proposed inclusionary units;
  - b. A floor plan and elevations of the proposed inclusionary units;
  - c. Identification of the targeted income level for the proposed inclusionary units;
  - d. Calculation of the proposed number of inclusionary units consistent with Chapter 14.75 of the Municipal Code;
  - e. A written explanation of the method for restricting the units for the required term at the targeted income level;
  - f. If the developer is proposing to meet the inclusionary housing requirement through payment of the in-lieu fee, the plan must include a description of why the developer believes the provision of onsite inclusionary housing is not feasible pursuant to the findings required in Section 14.75.070 of the Municipal Code;
  - g. A description of any incentive requested per Section 14.75.060 of the Municipal Code and supporting evidence for the request; and
  - h. Any other information requested by the City to aid in evaluation of the plan.

If the project includes density bonus units, a Density Bonus Housing Plan is required before the application can be deemed complete. At a minimum, the Density Bonus Housing Plan shall contain:

- a. A site plan identifying the bonus density units;
- b. A written description of the targeted income levels that qualify the housing development for a density bonus;
- c. A written description of the requested incentive;
- d. A written explanation of the method for restricting the units for the required term at the targeted income level;



- e. Evidence which in the City's discretion demonstrates that the incentive requested is necessary to make the housing units affordable to the targeted income level;
  - f. Method for selecting and qualifying prospective households for income eligibility; and
  - g. Any other information requested by the City to aid in evaluation of the plan.
3. Application Deemed Complete. After a project application has been deemed complete, staff will conduct environmental review (if necessary) and prepare a staff report to the Planning Commission. The Planning Commission will review the environmental document and take an action on the development proposal.
  4. Development Standards. The following development standards address some of the physical aspects of an affordable housing development and must be incorporated into each development plan.
    - Inclusionary units should be disbursed evenly throughout the development;
    - Inclusionary units shall be comparable to the market rate units in construction quality, exterior design, energy efficiency standards and "green building" features;
    - The average number of bedrooms and bathrooms in the inclusionary units must at least equal that of the market rate units to normalize the comparative sizes of the market rate and inclusionary units;
    - Two-bedroom affordable units shall have at least one and one-half bathrooms;
    - Three or more bedroom units shall have at least two bathrooms (unless the market rate units provide fewer than two bathrooms in which case the affordable unit(s) may provide an equivalent number of bathrooms as the market rate units; and
    - All inclusionary units must be constructed, completed and cleared for occupancy prior to or concurrent with construction, completion and occupancy clearance of the market rate units.
  5. Public Hearing Process. The Planning Commission will conduct at least one public hearing and make an independent decision on the development application. The City Council will consider any appeal of a Planning Commission action and will take final action on projects that require a tentative parcel map or tentative tract map. Upon approval of any project under the City's affordable housing program, conditions will be imposed to control the affordability of the units. One of these conditions will specify which units are subject to the affordability requirements and for what time period. A standard condition requires that prior to the issuance of a building permit the developer must record an affordability control covenant against the property and agree to cooperate in implementing the affordability controls. This ensures that subsequent tenants or purchasers are notified of the rental or resale restrictions on the property for as long as they are in effect.

Another condition requires that prior to issuance of a Certificate of Occupancy, the developer shall obtain the City's approval of: a) the resident selection process, b) the initial rent levels or sale prices, and c) the eligibility of the initial residents. In addition, as part of escrow proceedings for affordable ownership units, the purchasers will be required to record documents agreeing to adhere to the City's affordability and review requirements.

6. Density Bonus Housing Agreement. If the project includes density bonus units, a Density Bonus Housing Agreement must be approved at the time of project approval. This agreement shall include:
  - a. Legal description of the property;
  - b. Complete project description including the number of density bonus units to be provided, the target income level, identification of the specific lots and/or units to be income restricted and whether the units are proposed to be owner-occupied or rentals;
  - c. Documents stating resale restrictions, deeds of trust, rights of first refusal or rental restrictions; and
  - d. Provisions for monitoring and enforcing the terms of the agreement.
  
7. Inclusionary Housing Agreement. If the project is required to provide inclusionary ownership housing, an Inclusionary Housing Agreement must be approved by the City Council at the time of final subdivision map approval. The Inclusionary Housing Agreement must be in a form approved by the City, and at a minimum shall include the following:
  - a. Legal description of the property;
  - b. Project description including number of inclusionary units to be provided, method of providing said unit, and identification of the specific lots and/or units to be restricted at affordable levels;
  - c. Provisions and/or documents for resale restrictions, deeds of trust (covenant), and rights of first refusal;
  - d. Provisions for monitoring compliance with the terms of the Inclusionary Housing Agreement, and the process for qualifying prospective resident households for income eligibility pursuant to City policies and procedures;
  - e. Any development standard modifications that the developer is proposing to incorporate as a part of the proposed project; and
  - f. Any other provisions deemed necessary by the Community Development Director for compliance with the City's Affordable Housing Program.
  
8. Affordability Control Covenant. In the case of affordable ownership units, an Affordability Control Covenant shall be recorded against the title of each affordable unit. This Covenant ensures that potential purchasers are notified of the affordability restrictions. The developer must obtain written approval of the resale control structure from all lenders.

If the final subdivision map has not been recorded for the affordable ownership units at the time of issuance of a grading permit or building permit, an Interim Affordability Control Covenant shall be recorded against the residential development and shall be replaced by separate recorded affordability control covenants for each specified unit prior to issuance of a Certificate of Occupancy for such units.

9. Qualified Residents. The City must approve the eligibility of the initial renters or purchasers of any affordable unit under the Density Bonus Ordinance or the Inclusionary Housing Ordinance. The City shall establish the initial rent levels or sale prices as discussed in Sections IV. and V. of this handbook.
10. Occupancy Clearance. Occupancy clearance for affordable housing units shall not be approved by the City until all affordability conditions have been met. Occupancy clearance for all market rate units within a development shall not be granted until occupancy clearance for all of the affordable units has first been granted. This requirement shall be specifically addressed in the conditions of approval for any development permit for inclusionary or density bonus housing.
11. Agreement to Comply with Affordable Housing Program Rules. For an affordable ownership unit, the buyer must execute and record a covenant agreeing to comply with the requirements of the affordable housing program prior to the close of escrow for that unit.

## IV. Affordable Rental Units

**Rental Units.** The City’s Density Bonus Ordinance allows developers of five or more units to request a density bonus of at least 25% above the density normally permitted by the existing zoning and land use designations if the developer proposes to provide one of the following percentages of affordable units:

1. Ten percent (10%) of the total units of a housing development for very-low income households, as defined in §50105 of the Health and Safety Code; or
2. Twenty percent (20%) of the total units of a housing development for low income households, as defined in §50079.5 of the Health and Safety Code; or
3. Fifty percent (50%) of the total units of a housing development for qualifying residents, as defined in §51.3 of the Civil Code.

The ordinance also provides developers with at least one other concession or incentive such as reduction in setbacks or covered parking requirements, approval of mixed use or other regulatory concessions or incentives that result in cost reductions.

The following are examples of possible development scenarios for rental units under the City’s Density Bonus Ordinance. It should be noted that the City’s discretionary review and permit process will establish the appropriate base density under the zone district where the project is to be located. The base density will affect the number of density bonus units permitted on the site. The following examples are based on a proposed rental project on land zoned and designated for a maximum density of 20 units per acre. The required density bonus of at least 25% would result in a density bonus of five units for a project total of 25 units.

1. Low Income Rental Units. The number of affordable units (targeted for rent at 60% of AMI) is equal to at least 20% of the number of market rate units.
2. Very-low Income Rental Units. The number of affordable units (targeted for rent at 50% of AMI) is equal to at least 10% of the number of market rate units.

**Table 4**  
**May 2010 Low Income Household Affordable Monthly Rental Housing Cost and Income Range**

% of AMI	>50% to 80%
Maximum Annual Income (four-person household)	\$57,150
Maximum Monthly Income	\$4,763
Maximum Affordable Rental Rate Housing Cost (30% of income)	\$1,429

For the low income category, the City sets the target income at 60% of AMI. The affordable monthly rent housing cost for a household at this target income percentage is calculated as:

$$\begin{aligned} & \text{(Monthly AMI)} \times 60\% \times 30\% \\ \text{or} \quad & (\$71,400/12 = \$5,950) \times 60\% \times 30\% = \$1,071 \end{aligned}$$

Thus, the affordable rent housing cost for a low income household of four persons would be \$1,071. This monthly rent cost would be affordable to most low income households, with those households earning between >60% and 80% of AMI paying slightly less than 30% of their income for rent, and those earning between >50% and 60% paying slightly more than 30%.

**Income Categories and Area Median Income.** As noted previously, Area Median Income (AMI) refers to the income level for Santa Barbara County as established by the U.S. Housing and Urban Development (HUD) Department. The median income for a household of four in Santa Barbara County as of May 2010 was \$71,400. The City uses this figure as the basis for calculating maximum affordable rental rates. The City's affordability requirements for rental units refer to the income categories shown in Table 5, based on various percentages of the AMI.

**Table 5**  
**Income Categories for Density Bonus Rental Units**

Income Category	Percentage of Area Median Income
Very-low Income	50% or below
Low Income	>50% - 80%

**Unit Size Adjustment Factor.** A number is inserted into the calculation for maximum rents, to adjust for the number of bedrooms in a dwelling unit. The adjustment factor for each unit type is:

single room occupancy	=	.45
studio unit	=	.60
one bedroom unit	=	.75
two-bedroom unit	=	.90
three-bedroom unit	=	1.05
four- or more bedroom unit	=	1.20

**Calculating Affordable Rents.** The City considers rental housing to be affordable if a household pays no more than 30% of its income for rent. The calculation of the maximum rent allowed by the City for an affordable rental unit depends on the maximum income and the unit size adjustment factor. As of May 2010, the affordable housing cost for a four-person low-income household would range from \$809 to \$1,294 per month, depending on the actual income of the household. As it is impractical to set

individual maximum rents based on the *actual* income of each household, the affordable rents are set at a fixed amount that depends on two factors:

- maximum income of a household that the unit is meant to serve; and
- unit size (i.e., the number of bedrooms in the unit).

The following example shows how the City would calculate the maximum monthly rent for a two-bedroom unit that is targeted to be affordable to a household at 60% of AMI.

Current Area Median Income		\$71,400
Target income percentage	x	60%
USAF for two-bedroom unit	x	.90
Percentage of income for rent	x	30%
Divided by 12 months	/	12
Maximum Monthly Rent	=	\$964

The following table summarizes the May 2010 maximum income percentages and uses the target income percentages to set the rental rates for affordable rental units. These numbers are adjusted annually as the AMI changes each year.

**Table 6**  
**May 2010 Target Incomes and Affordable Rents**

Target Income %	Maximum Income %	Target Income (four persons)	Maximum Rent (two bedrooms)
40%	< 50% (very-low)	\$28,560	\$643
60%	51-80% (low)	\$42,840	\$964

**Utility Adjustments.** The City’s requirement for calculating maximum rent assumes that the property owner pays all utilities (except telephone and cable). If the tenant is required to pay some or all of the utilities, the maximum rents are reduced in accordance with a utility schedule as adopted by the City of Santa Barbara Housing Authority and approved by HUD. The utility schedule varies not only by number of bedrooms in the unit but also by the various utility combinations (e.g., water, sewer and trash paid but not electricity).

**Affordable Rental Unit Availability.** When an affordable rental unit is available for occupancy, the property owner/manager must contact the City prior to initiating a rental contract with a potential tenant. The City will then calculate the maximum rental rate for the affordable unit. The property owner/manager must advertise the unit for a minimum of 30 days and then must conduct pre-screening for household size and any other

standard information required for all potential tenants. The property owner/manager must then provide the City with information on the potential tenant. The City will review the information provided to determine whether the potential tenant meets the income limits and household size set for the rental unit. If the potential tenant meets the City's criteria, the property owner/manger may rent the unit to the City-approved potential tenant.

**Affordability Covenant.** A condition of approval will require that the property owner sign and record against the property an Affordability Control Covenant. The covenant shall include an assignment of rents provision wherein the property owner assigns to the City all rents collected in violation of the covenant. The covenant shall also require the property owner to make annual reports to the City to verify compliance with the covenant. A sample condition that may be placed on the project requiring the covenant is as follows:

*Prior to the issuance of a building permit, owner shall sign and cause to be recorded against the property an Affordability Control Covenant, in a form approved by the City Attorney, which requires compliance with these affordability requirements. The covenant shall include an assignment of rents wherein owner assigns to the City all rents collected in violation of the covenant. The covenant shall also require owner to make periodic reports to the City to verify compliance with the covenant.*

**Annual Monitoring:** Every owner of rent-restricted units is required to file annual reports with the City. These reports shall contain information to ensure compliance with the affordability conditions. Language setting forth these requirements is included in the Affordability Control Covenant to be recorded against the real property.

## V. Affordable Ownership Units

**Ownership Units.** Long-term restricted affordable ownership units may be created through the City's Inclusionary Housing Requirement Ordinance or through the City's Density Bonus Ordinance. Pursuant to the Inclusionary Housing Requirement Ordinance, inclusionary units must have a sale price affordable to households with an income that is 121% of the area median income (AMI). For qualifying purposes, the City may qualify households with incomes up to 200% of the AMI.

The Density Bonus Ordinance allows twenty percent (20%) of the total dwelling units in a condominium project for ownership by households of moderate income. The target household income is 80% to 120% of AMI. Both types of ownership units are subject to the policies and procedures outlined in this Section.

A housing developer may wish to construct for-sale units that are targeted for households with incomes below 121% of the AMI. In this case, the City would set income targets and unit sale prices for the selected income group according to the adopted procedures.

The maximum sale price for affordable ownership units must be such that after a 10% down payment, the total monthly payment for the mortgage loan, insurance and homeowners' association fees will not exceed 30% of the household's income. The maximum sale price is calculated so that the total monthly housing-related payments would be affordable to a specific household size (for a given unit size) with an income of 121% of AMI.

**Table 7  
Maximum Sale Price**

<b>Bedrooms</b>	<b>Sale Price</b>
0	\$167,600
1	\$260,300
2	\$323,000
3	\$385,700
4+	\$448,400

**Unit Size Adjustment Factor.** The maximum sale price is set at a higher level for units with a greater number of bedrooms. This reflects the fact that larger units will accommodate larger households, with correspondingly higher maximum allowable household incomes. Table 8 illustrates the unit size adjustment factors.



**Table 8**  
**Unit Size Adjustment Factors**

studio unit =	.60
one bedroom unit =	.75
two-bedroom unit =	.90
three-bedroom unit =	1.05
four or more bedroom unit =	1.20

It would be impractical to set different maximum sale prices based on the actual number of persons in a given household. Instead, the City makes assumptions about the average number of persons that will occupy units of various sizes. For example, the City assumes that the average number of persons in a two-bedroom unit will be three persons. As noted in the previous section, HUD sets the median income for a household of three at 90% of the median income of a household of four. Therefore, the City multiplies the AMI by the target income and a unit size adjustment factor (USAF) of 90% to adjust the target income for a two-bedroom unit as follows:

Area Median Income		\$71,400
Target Income Percentage	x	121%
USAF for Two-Bedroom Unit	x	90%
Target Income	=	\$77,755
Target Income		\$77,755
Percentage of Income for Payment	x	30%
Divided by 12 months	/	12
Maximum Monthly Payment	=	\$1,669

As shown in Table 8, the USAFs have been set at 15% intervals to arrive at reasonable sale price differentials for various unit sizes. Although these USAFs do not all correspond to actual household sizes, they reflect the assumption that larger units will be occupied by larger household sizes.

**Initial Sale Price.** The initial maximum sale price for an affordable ownership unit must be affordable such that after a 10% down payment, the total monthly payments for the loan, insurance and homeowner association fees (if any) will not exceed 30% of a target purchaser's income. For units developed under the Inclusionary Housing Requirement Ordinance, the initial sale price is calculated so that the total monthly housing related payments would be affordable to a household (of average size for a given unit size) with an income of 121% of area median income. A down payment of 10% is assumed for the calculation.

The maximum initial sale price is calculated by the Community Development Director at the time the City issues the Building Permit for the affordable unit(s). The procedure for the initial sale price calculation is outlined below and illustrated in Table 9. These calculations are intended as examples only; the parameters used in the final calculation will be determined by the Director on an annual basis.

Table 9 provides a sample calculation of the maximum sale price for above-moderate income units targeted to households earning up to 200% of the AMI. This calculation incorporates a mortgage interest rate of 5.6% and monthly Homeowners' Association (HOA) fees of \$275.00.

**Table 9**  
**Maximum Sale Prices**  
**Above-Moderate Income Unit**

<b>Number of Bedrooms</b>	<b>1</b>	<b>2</b>	<b>3</b>
Maximum Income (% of AMI)	200%	200%	200%
Target Income (% of AMI)	121%	121%	121%
Target Income for Affordability	\$64,796	\$77,755	\$90,714
Unit Size Adjustment Factor	0.75	0.9	1.05
Housing Cost/Income Ratio	30%	30%	30%
Maximum Monthly Payment	\$1,620	\$1,944	\$2,268
Down Payment	10%	10%	10%
Mortgage Interest Rate	5.6%	5.6%	5.6%
Homeowners' Association Fee	\$275	\$275	\$275
Mortgage Payment	\$1,345	\$1,669	\$1,993
Loan Amount	\$234,288	\$290,727	\$347,165
Plus Down Payment	\$26,032	\$32,303	\$38,574
<b>Maximum Sale Price (rounded)</b>	<b>\$260,300</b>	<b>\$323,000</b>	<b>\$385,700</b>

#### Procedure for Initial Sale Price Calculation for Inclusionary Units

1. The maximum monthly payment for housing expenses is determined by dividing the target income by 12, then multiplying by the appropriate USAF, then multiplying by the housing expense-to-income ratio of 30%. The maximum income is 200% of AMI for inclusionary units. The sale price is set at the target income level of 121% of AMI.
2. A down payment of 10% of the sale price is assumed.
3. The sale price calculation is sensitive to changes in mortgage interest rates. The higher the interest rate, the lower the mortgage a given monthly loan payment will support. In order to account for interest rate fluctuations, the City will use the following procedure for setting the interest rate that is used for the calculation of the initial sale price of an affordable unit.

Once per year, concurrent with the annual publication of the Area Median Income

by HUD, the City will set the interest rate to be used in its sale price calculation as the higher of the following two rates:

- the average ten-year treasury constant maturity rate over the most recent 24 months, plus 200 basis points (2.0%); or
- the prevailing rate charged by local institutional lenders on a zero point 30-year fixed rate conforming mortgage.

Example: The average ten-year treasury yield for January 2008 through December 2009 calculated from monthly data published on the U.S. Federal Reserve website was 3.62%. Adding the 200 basis points results in an interest rate of 5.6% (rounded).

4. The Homeowners' Association (HOA) fee used in the calculation will also be set by the City once per year, concurrently with the annual publication of the Area Median Income by HUD, based on survey information provided by the City of Santa Barbara's Housing Programs staff.
5. The income available for the mortgage payment is determined by subtracting the monthly HOA fee from the maximum monthly payment for housing expenses.
6. The loan amount is then calculated based on equal payments over 30 years using the calculated mortgage payment and the mortgage interest rate.
7. The maximum sale price is calculated by dividing the amount of the approved loan by the loan-to-value ratio of 90%.

**Household Eligibility and Qualification Standards.** The City may contract with an outside agency or service to process applications and determine preliminary household eligibility. Language setting forth eligibility requirements will be included in the affordability control covenant to be signed by the purchaser and seller and recorded against the real property for projects with affordable units. Qualifying households for inclusionary units shall not earn more than 200% of AMI, adjusted by household size. As of May 2010, this equals \$142,800 for a four-person household. The following additional factors are established for the purpose of qualifying households for inclusionary units.

1. Unit Size Adjustment Factor: A number will be inserted into the calculation for maximum sale price, to adjust for the size of the dwelling unit. These factors may differ from the factors applied to rental units. The appropriate number shall be selected from the following.

studio unit	=	.60
one bedroom unit	=	.75
two-bedroom unit	=	.90
three-bedroom unit	=	1.05
four or more bedroom unit	=	1.20

2. Housing Expense-to-Income Ratio is the ratio of housing related payments (i.e., monthly mortgage, insurance and HOA fee) to the purchaser's monthly income.
3. Purchasers of units with three or more bedrooms must be households of at least three persons unless the Director waives this requirement on the basis that a smaller household can prove the need for a multi-bedroom unit and the request is consistent with the General Plan. Or, in the event that the developer or owner is unable to find a qualified household of at least three persons to purchase the unit after a diligent marketing effort of at least 30 days, the Director may allow sale of the unit to a household with fewer than three persons.
4. All non-dependent adults in the household must be owners of record.
5. If the purchaser has investment assets (stocks, bonds, cash, bank accounts, certificates of deposit and other investment property, but not including retirement accounts), income will be assigned from such assets. No income will be assigned from those assets to be used for the down payment and closing costs on the affordable unit.
6. The purchasers of the affordable unit may not own other residential property during their ownership of the unit. "Ownership of residential property" refers to an ownership interest in land that is zoned for or improved with residential development and/or an ownership interest in a mobile home, whether or not such mobile home is permanently affixed to land or such land is owned by the mobile home owner. The Community Development Director may waive this requirement when the ownership interest is a small fractional interest or if the property has minimal value due to location or condition.
7. The purchaser's down payment may not exceed 40% of the sale price. The purchaser's housing expenses shall not exceed 30% of the household income.
8. Purchasers may receive all or a portion of the down payment as a gift provided the gift does not exceed 20% of the sale price and the donor provides a gift letter.
9. A household that purchases an affordable unit must occupy that unit as a principal residence as that term is defined for federal tax purposes by the United States Internal Revenue Code. An owner may rent out a room only if the owner occupies the unit full-time and the City approves in writing both the renter and the rental rate charged by the owner. The City may allow a short-term rental if the owner demonstrates need due to illness, temporary employment relocation, sabbatical, extended leave or other purpose deemed acceptable by the City. Short-term rental rates must conform to the appropriate rate as determined by the City for the particular unit at issue.
10. Applicants who wish to be considered for preference points for affordable ownership units should state on the application if they are currently domiciled in the

City of Carpinteria or are currently employed within the City<sup>3</sup>. Applicants should also indicate if they are employed in critical work force positions. Proof of current City address or employment will be required. During the application review process, “preference points” are given to households that meet any of the following criteria:

At least one member is currently domiciled* in the City of Carpinteria	one point
At least one member is currently employed* in the City of Carpinteria	one point
At least one member is currently employed in a critical work force job*	one point

\*Domiciled refers to a principal place of residence, meaning that place where a person has his or her true, fixed and permanent home and to which that individual has the intention of returning to, whenever absent.

\*Employed shall be defined as any person employed by an employer or engaged as an independent contractor for a minimum of twenty (20) hours per week **and** has been so employed continuously (a) for the past six (6) months or (b) has been employed for a minimum of 40 hours per week for at least three months of the most recent prior season if seasonally employed.

\*Critical work force jobs include but are not limited to fire fighting, law enforcement, public agency/governmental services, public or private school teacher, nursing/health technician, emergency medical technician. Other similar job types may qualify as critical work force jobs as determined by the Community Development Director.

One preference point is given per household for each relevant criterion and the results are used to pre-rank households for each tier of the lottery prior to the draw. The lottery process for ownership units is explained below.

**Initial Affordable Unit Availability and Lottery.** When affordable ownership units are constructed and ready to be sold, the developer will provide a 60-day time period for prospective households to apply and be pre-qualified for the opportunity to purchase a unit. The developer must advertise the 60-day time period in a local newspaper prior to and during the application period. All applicants are encouraged to tour the property and must submit a complete application to the City including a pre-qualification letter from a lender. The pre-qualification letter must state that the applicant is pre-qualified to receive a loan in the amount necessary to purchase a unit. The Director shall then compile a list to the City of pre-qualified applicants that meet the eligibility standards described above. In consideration for being permitted to participate in the lottery process, the applicant shall agree to waive all claims, indemnify and hold harmless the City and the developer for any and all liability for any injury or damages arising out of, or in connection with applicant's participation.

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<sup>3</sup> City of Carpinteria means that area within the boundaries of the City of Carpinteria as shown on the most recent City official map.

Applicants who wish to be considered for preference points must provide evidence that they meet the criteria for any preference points they request. The number of points awarded to each applicant shall be determined by the Director and such decision shall be final. All information entered on the application will be verified prior to completion of a sale to confirm compliance with the restrictions of the City's affordable housing program. Verification of employment, income, residency, loan and assets will be determined through a subsequent formal qualification process including, but not limited to review of tax returns, bank accounts, earnings statements, residence and employment history and title searches. Any discrepancies or misrepresentations will be cause for rejection of an application and will constitute a default under the City's affordable housing program, even if discovered after a sale has been completed.

Once the application period closes, the City will conduct a lottery of all pre-qualified eligible purchasers. The lottery will establish the order in which prospective purchasers' applications will be reviewed and considered for final qualification to purchase a unit. There are three tiers to the lottery selection process based on preference points assigned to each eligible household.

2 or more points	Drawn First
1 point	Drawn Second
0 points	Drawn Third

Each household is assigned a numbered-order based on the results of the lottery. The City will then fully qualify the household from the ordered list. The developer is then responsible to complete the transaction. If the first qualified household is unable to complete the purchase transaction, the developer shall offer the unit to the next qualified household on the lottery list. From time to time, the City may establish an eligible purchasers list of pre-qualified applicants. Placement on the eligible purchasers list will require the same application materials and process used by housing developers. The eligible purchasers list will be made available to housing developers during the advertising period for new ownership units. The City may contract with an outside agency or service to conduct the initial unit availability process including but not limited to the following: supervise the developer's pre-qualification process, oversee and manage the City's eligible purchasers list process, perform the lottery and/or complete the final qualification process.

**Requirement for Approved Financing.** Because the unit must remain affordable over a specified period of time, the terms of the financing for each affordable unit must be approved by the City. The City shall be provided with complete information about the terms of the proposed financing. All financing shall be fully amortized over the payment period, with no balloon or accelerated payment. The City may reject any application that includes a loan it determines would adversely affect the long term affordability of the unit. Financing that may result in negative amortization will not be approved. The City must also approve all refinancing. The City will generally approve refinancing of the first mortgage loan if no additional cash is taken out other than the loan costs and the terms of the new loan are more favorable than the former loan. If the owner wishes

to take out cash, the City will consider the request on its merits. Generally, the debt payment to income ratio should not be higher than it was at the time of purchase.

**Commission, Escrow or Other Costs.** The owner of an affordable unit shall not require the purchaser to pay any commission, escrow or other costs of sale typically paid by sellers of residential property in Santa Barbara County. The seller must pay for the purchaser's title insurance and transfer tax. Escrow fees are to be divided equally between the seller and purchaser.

## VI. Resale Price Calculations

**Affordable Unit Resale Availability.** When an affordable inclusionary unit that is subject to an affordability restriction becomes available for resale, i.e., its 30-year term has not expired, the owner must contact the City prior to advertising the unit for sale or entering into an agreement to sell the unit. The City will calculate the maximum sale price, considering any owner improvements as described below. If the City has a current eligible purchasers list, the owner may contact any person on that list. Once the seller has identified a potential purchaser, the City will review the potential purchaser's application and any other information deemed necessary to approve the purchaser.

**Transfers and Conveyances.** The sales price and credit for improvements made to an affordable ownership unit will be determined as described below under Resale Price Calculation.

If an owner wishes to sell to a purchaser who is an owner of another affordable unit located within the same development, the seller must: 1) Send written notice to all other owners of affordable units in the same development that the unit is for sale; 2) Determine whether the purchaser meets the current income and other eligibility requirements, and determine whether the purchaser has a physical need for the unit such as to correct an overcrowded condition or provide handicapped accessibility; and 3) Give priority to any purchaser who meets both of the conditions in 2). Should no prospective purchaser meet both of the conditions in 2), the seller may select a purchaser who meets either one of those conditions.

If the owner sells the affordable unit during the term of the initial 30-year covenant, the new owner will be required to sign and record a covenant that begins a new 30-year period of price and occupancy restrictions. This requirement will continue for each subsequent owner of the unit. However, as required by state law, in no event shall the total period of controls on the unit exceed 90 years.

**Resale Price Calculation.** Upon resale, affordable units must be priced to be affordable to the appropriate income category based on whether the unit is restricted by the Inclusionary Housing Requirement Ordinance or the Density Bonus Ordinance. These restrictions are 121% of area median income for inclusionary units or up to 120% of area median income for density bonus units. Affordability is ensured upon the sale of any affordable unit through the covenant, which sets forth the formula for calculating the maximum resale price. The maximum resale price is not a guarantee that the owner will be able to sell for that price. If a purchaser negotiates a price below the maximum resale price, the lower purchase price then becomes the basis for the calculation of the maximum resale price upon the next sale of the unit. City approval is required for any resale price more than 5% below the maximum allowed resale price.

1. Standard Resale Price Formula. To set the resale price, the City starts with the price paid by the current owner and increases that price by the percentage increase in Area Median Income (AMI) during the period in which the current owner has owned the property.



2. Mid-Year Adjustment. To allow for some projected increase in sale price between AMI publication dates, the following increase shall be allowed: one-half of the average annual percentage increase in the index over the previous two years, divided by 12 and multiplied by the number of months between the last publication of the index and the date of sale of the unit. For example, if an affordable unit sold in November 2009, and the AMI was last published in March 2009, and the AMI increases for the previous two years were three percent and five percent, the mid-year adjustment would be calculated as follows:

$$\frac{1}{2} \times ((3\% + 5\%)/2) \times 1/12 \times 9 \text{ months} = 1.5\%$$

If the seller bought the affordable unit for \$200,000, the mid-year adjustment would amount to an additional \$3,000 added to the maximum resale price. Note that this adjustment allows only *one-half* of the average increase. This is to prevent the adjustment from over-estimating the rate of increase in the index.

If this mid-year adjustment is added to the resale price of a unit, on the next resale of that unit the price increase will be reduced by the amount of the mid-year adjustment that had previously been added, so that the price is not increased by both the real and projected increase during any period.

For example, in the above scenario, a mid-year adjustment of \$3,000 was added to the sale price in November 2009. This reflected an estimate of the increase in the AMI from March 2009 to November 2009. Assuming that the buyer paid \$220,000 for the unit in November 2009, and then decided to sell in April 2010, right after a new AMI was published, and the new AMI was 5% higher than the February 2009 figure, the amount of the mid-year adjustment that was given to the previous seller must be subtracted before the actual 5% increase is added. This is so the price is not increased by both the *estimated* increase in the AMI (the mid-year adjustment given to the previous seller) and the *actual* increase. Thus, the resale price would be calculated as follows:

$$(\$220,000 - \$3,000) \times 105\% = \$227,850$$

3. Owner's Improvements. An owner who is planning to make improvements and hopes to eventually add the value of the improvements to the future resale price is encouraged to request pre-approval from the City. To ensure continued affordability to subsequent purchasers, no price increase or other reimbursement will generally be allowed for property improvements made by the owner. The owner is free to make improvements for the owner's benefit and enjoyment but will not be compensated for such improvements upon resale of the property. The Community Development Director may approve exceptions to the policy against price increases for property improvements, provided all of the following conditions are met:

- A. The improvements are permanent and substantial.

- B. The improvements are not of a decorative or maintenance nature, such as painting, wall coverings, window coverings or replacement of carpeting. Landscape plantings and hardscape may be eligible for a price increase, but only to complete a large area (such as a rear yard) that was unimproved at the time of purchase or in a severe state of disrepair.
  - C. The improvements are not of a luxury nature, such as a spa, whirlpool tub or brick barbeque. A deck or patio may be eligible, but only to the extent needed to provide a reasonable amount of usable outdoor living space. A fireplace addition may be eligible.
  - D. The allowed price increase for all improvements may not exceed the lower of:
    - 1) The actual out-of-pocket cost of eligible improvements paid by owner for design, materials and labor (as shown by receipts);
    - 2) The actual present value of the improvements as determined by the City. This is the amount that the improvements would add to the market value of the unit at the time of a future sale (ignoring the affordability restrictions). It should be noted that the value added by home improvements is usually less than the cost of the improvements. For example, a survey by Remodeling Online showed that the average homeowner in Los Angeles would recoup only about 70% of the cost of a bathroom remodel upon sale of the house; or
    - 3) Ten percent of the maximum affordable sale price of the unit.
  - E. The combined actual present value of the eligible improvements as described above is at least one percent of the affordable sale price of the unit; and
  - F. The improvements were done with all required City permits and in compliance with any requirements imposed by the homeowners' association and CC&Rs, if applicable.
4. Other Resale Requirements and Conditions. No percentage increase shall be allowed during such time that the owner was in violation of the requirements of the covenant. If the property is damaged or if there is substantial deferred maintenance, the City may require the seller to provide funds to complete the necessary repairs through the distribution of funds through escrow.

## VII. Continuing Affordability Assurance

The City imposes affordability requirements for the long term, in most cases 30 years or more. To ensure affordability for the entire term, the City requires that a document be recorded which restricts the maximum resale or rental price of the controlled unit. Different documents are used for rental units and ownership units.

**Affordability Assurance for Rental Projects.** The City requires a covenant to be recorded on the subject property to ensure continued affordability of income restricted rental units. Affordability controls and reporting requirements are set forth in a project's conditions of approval. In general, the affordability condition will include a time period, a target income and references to calculations of monthly rental payments. Below is an example of such a condition.

*For a period of 30 years from its initial occupancy, each low-income rental dwelling unit shall be rented to and occupied by Low-Income Households, at a monthly rent, including the utilities of electricity, gas, water, sewer and refuse disposal, not exceeding one-twelfth of 35% of the Area Median Income, multiplied by the appropriate Unit Size Adjustment Factor, and multiplied by a Target Income Percentage of 60%.*

*If the tenant pays for any utilities, the maximum rent shall be reduced by the amount of the "utility allowance" for those utilities as established and periodically revised by the Housing Authority of the City of Santa Barbara.*

To ensure compliance, in the event of any default under the covenant, the City will have the right to receive all rents due or collected from any units rented in violation of the terms of the covenant. The City also has the right to enforce the covenant through legal action. The typical period for affordability is 30 years. However, where state and/or federal programs used to subsidize rental projects have requirements that dictate a longer affordability term, affordability shall be maintained for the longest permissible period of time.

**Affordability Assurance for Ownership Projects.** The City requires a covenant to be recorded against each inclusionary or density bonus ownership unit to ensure continued affordability. The ownership covenant implements the affordability controls and reporting requirements specified in the Planning Commission or City Council conditions of project approval. The covenant is to be signed by the affordable unit purchaser and the City. Under the terms of the covenant, the purchaser grants the City a first option or right of first refusal to purchase the property at any time the owner wishes to transfer, sell or convey the property or defaults on any provision of the ownership. Additional requirements may include but are not limited to those listed below.

1. The purchaser's household income may not exceed the maximum specified for the income category and the purchaser must occupy the property as his/her principal residence. Through the covenant, the owner assigns to the City the right to any rents collected in violation of the covenant.

2. Any sale or other transfer of any interest in the property must be approved by the City as being in compliance with the requirements set forth in the covenant, including the maximum sale price.
3. The terms of all financing secured by the property must be approved by the City, whether at the time of sale or at any other time.
4. The owner shall submit an annual report to the City that certifies compliance with the terms of the covenant.
5. The term of the covenant shall be at least 30 years from the date of purchase.
6. The purchasers of the affordable unit may not own other residential property during their ownership of the unit. "Ownership of residential property" refers to an ownership interest in land that is zoned for or improved with residential development and/or an ownership interest in a mobile home, whether or not such mobile home is permanently affixed to land or such land is owned by the mobile home owner. The Community Development Director may waive this requirement when the ownership interest is a small fractional interest or if the property has minimal value due to location or condition.

**Annual Monitoring and Reporting.** Every owner of an affordable inclusionary unit is required to file an annual report with the City to ensure that all occupancy requirements for the unit are being met on an ongoing basis. A similar report is required upon each change of ownership. Language setting forth these requirements is included in the affordability control covenant recorded against the property.

**Transfers and Conveyances.** If the property owner sells the affordability restricted residential property during the term of the covenant, the subsequent owner will be required to sign and record a new covenant which will begin a new 30-year period of price and occupancy restrictions for the income-restricted unit(s). This requirement will continue for each subsequent owner. However, as required by State law, in no event shall the total period of controls exceed 90 years.

**Foreclosure.** In the event of default and foreclosure proceedings, the affordability covenant will not be terminated and will remain in effect for any subsequent purchaser. The covenant shall not impair the rights of a lender to foreclose or take title to the property or accept a deed instead of foreclosure. The City shall retain the right to qualify subsequent purchasers for resale as described in this handbook in Section VI.

## VIII. In-Lieu Fee Calculations

**In-lieu Fees.** Pursuant to the Inclusionary Housing Requirement Ordinance, if the City determines that the production of onsite inclusionary units is infeasible, a fee will be charged for every required inclusionary unit that is not provided onsite.

**Fees to be Set.** The required in-lieu fee shall be set based on an inclusionary housing requirement of 12% of the onsite market rate units. If a proposed residential project includes both single family detached units and attached condominium units, the in-lieu fee shall be calculated based on 12% of each proposed unit type. The in-lieu fee amount for a proposed housing development shall be set as of the date of City Council acceptance of the final subdivision map.

**Calculation for Condominium Units.** The in-lieu fee for a condominium unit shall be equivalent to the monetary difference between the median sales price of a market rate condominium unit in the City and the sale price of a condominium unit affordable to an above moderate income household earning 121% of AMI. The target income for this calculation is 121% of the AMI and the percentage of total income expended on housing costs for this calculation is 30%. The median sales price of condominium units in the City shall be established by the City Council, based on data provided by sources selected by the City Council, for sales during the calendar year prior to the calculation. The City Council may annually review the median sale price of condominium units in the City, and may, based on that review, adjust the in-lieu fee amount. The calculation for the adopted 2010 condominium in-lieu fee is shown in Table 10.

**Table 10**  
**Sample In-lieu Fee Calculation for a Condominium Unit**

<b>Median Sale Price for Condominiums</b>	
<b>Sold in Carpinteria in Prior Year</b>	<b>\$400,000</b>
<b>Minus ( - )</b>	
<b>Affordable Sale Price</b>	<b>\$309,300</b>
<b>Equals ( = )</b>	
<b>In-lieu Fee</b>	<b>\$90,700</b>
Target Income for Affordability	\$77,755*
Housing Cost to Income Ratio	30%
Maximum Payment for Housing	\$1,944.00
Interest Rate	6.0%
HOA Fee	\$275
Loan Payments	\$1,669.00
Loan Amount	\$278,375
Down Payment	\$30,931
Maximum Sale Price	\$309,300
*121% of median income, three-person household	

**Calculation for Single Family Detached Residential Units.** The in-lieu fee for single

family detached units shall be sufficient to make up the monetary difference between the following: 1) The median sale price of single family residences in the City, and 2) The sale price of a single family residence affordable to an above-moderate income household earning 121% of the area median income calculated according to the procedures in this handbook. The target income for this calculation is 121% of the area median income and the percentage of total income expended on housing costs for this calculation is 30%. The median sale price of single family residences in the City shall be established by the City Council, based on data provided by sources selected by the City Council, for sales during the calendar year prior to the calculation. The City Council may annually review the median sale price of single-family residences in the City, and may, based on that review, adjust the in-lieu fee amount. A sample calculation for setting the single family residence in-lieu fee is shown in Table 11.

**Table 11**  
**Sample In-lieu Fee Calculation for a Single Family Residence**

<b>Median Sale Price for Single Family Residences</b>	
<b>Sold in Carpinteria in Prior Year</b>	<b>\$600,000</b>
<b>Minus ( - )</b>	
<b>Affordable Sale Price</b>	<b>\$357,300</b>
<b>Equals ( = )</b>	
<b>In-lieu Fee</b>	<b>\$242,700</b>
Target Income for Affordability	\$77,755.00*
Housing Cost to Income Ratio	30%
Maximum Payment for Housing	\$1,944.00
Interest Rate	6.0%
Loan Payment	\$1,928.00
Loan Amount	\$321,574
Down Payment	\$35,730
Maximum Sale Price	\$357,300
*121% of median income, four-person household	

**Fee Reduction for Small Units.** For residential developments where the interior dwelling size of at least two-thirds of the market rate units is 1,200 square feet or less, the in-lieu fee shall be reduced by 20%.

**Timing of Fee Payment.** In-lieu fees shall be paid into the Affordable Housing Trust Fund prior to issuance of a building permit for the first dwelling within a residential development. For residential subdivisions that are to be built in phases, the developer shall pay the pro rata portion of the fee prior to the issuance of a building permit for the first dwelling unit within each respective phase of a residential development. In the event that the developer intends to pay the in-lieu fee from proceeds of a bank construction loan, and such bank requires the issuance of a building permit prior to funding the construction loan, the developer may request that the Community Development Director issue the building permit prior to payment of the fee. The Community Development Director may approve such request provided the developer agrees in writing that the fee will be paid within ten days after the issuance of the

building permit, and further agrees that the building permit will be deemed revoked by the City and work undertaken pursuant to the building permit stopped if the in-lieu fee is not paid within such ten-day period.

## **IX. Affordable Housing Trust Fund**

The City has established an Affordable Housing Trust Fund (“Fund”). The in-lieu fees collected through the Inclusionary Housing Ordinance are deposited into the Affordable Housing Trust Fund. The Fund may also include other monies available to the City for exclusive use for the provision of affordable housing (e.g., grant monies, contributions from Development Agreements or other funding sources). The Fund is to be used exclusively for the provision of affordable housing in the City and for reasonable costs associated with the development, maintenance and oversight of such housing. Within this Fund, monies from different programs or sources are to be held and accounted for in separate accounts. Monies collected from in-lieu fee payments shall be used exclusively for above-moderate income housing; all other monies may be used to support affordable housing for all restricted income levels.

The guidelines for the Affordable Housing Trust Fund are set forth below.

1. The Fund will provide grants or loans for the construction or rehabilitation of housing that is affordable for a minimum of 30 years.
2. Units assisted by the Fund shall be restricted to rent and sale prices affordable to households earning less than 200% of AMI.
3. The City will require an Affordability Covenant to be recorded for units to be assisted with Fund monies.
4. There are no project expenditure limitations. Each project will be examined with respect to its financial need and its contribution to the City’s affordable housing goals.
5. The City will evaluate potential recipients using generally accepted underwriting criteria based upon the project proposal and the households to be served.
6. Recipients of monies from the Fund may be public, non-profit or for-profit entities.
7. There are no funding match requirements. It is expected that developers requesting assistance from the Fund will have a combination of various funding sources to make the project financially feasible and that Fund monies will provide “gap” financing to complete project financing.



**APPENDIX 1**

**City Council Resolution No. 5275**

**(To be added after City Council Action)**

## RESOLUTION NO. 5275

### A RESOLUTION OF THE CITY OF CARPINTERIA CITY COUNCIL ADOPTING THE CITY OF CARPINTERIA AFFORDABLE HOUSING POLICIES AND PROCEDURES

**WHEREAS**, the City of Carpinteria adopted Ordinance 590 amending Chapter 14.75 of the Carpinteria Municipal Code on June 16, 2004, which establishes an affordable inclusionary housing requirement for all new residential developments of five or more units that require a subdivision map; and

**WHEREAS**, the inclusionary program requires that all new residential development that falls within the requirements of Chapter 14.75 of the Carpinteria Municipal Code provide 12% of the total residential units at a price affordable to a household earning 121% of the area median income, or if the City Council finds the provision of onsite inclusionary housing is infeasible, the applicant may pay an in-lieu fee; and

**WHEREAS**, Ordinance No. 590 requires that the City Council adopt Affordable Housing Policies and Procedures to provide methods for implementing the Inclusionary Housing Program; and

**WHEREAS**, the City of Carpinteria adopted Ordinance 601 amending Chapter 14.77 of the Carpinteria Municipal Code, which establishes a bonus density program for affordable housing units; and

**WHEREAS**, Ordinance No. 601 requires that the City Council adopt Affordable Housing Policies and Procedures to provide methods for implementing the Bonus Density Housing Program; and

**WHEREAS**, the City Council initially adopted the Affordable Housing Policies and Procedures on September 13, 2004 and now seeks to update that document; and

**WHEREAS**, the City Council finds the updated City of Carpinteria Affordable Housing Policies and Procedures 2010 consistent with the General Plan/Coastal Plan and Chapters 14.75 and 14.77 of the Carpinteria Municipal Code that establish regulations relating to Inclusionary Housing and Density Bonus requirements that implement policies of the City's General Plan/Coastal Plan; and

**WHEREAS**, these policies and procedures shall not be construed in any way to modify the zoning regulations and the application of these guidelines on a case-by-case basis is consistent with both zoning and General Plan/Coastal Plan policies; and

**WHEREAS**, the Planning Commission reviewed proposed updates to the Affordable Housing Policies and Procedures 2010 at a noticed public hearing on July 6, 2010 and made recommendations to the City Council on the handbook; and

**WHEREAS**, the City Council considered the Planning Commission's recommendations to the updated Affordable Housing Policies and Procedures 2010 on September 13, 2010 at a noticed public hearing; and

**WHEREAS**, the City Council found the update to the Affordable Housing Policies and Procedures to be exempt from environmental review pursuant to §15061 of the State Guidelines for Implementation of the California Environmental Quality Act (CEQA); and

**WHEREAS**, at the hearing the City Council received a staff report and public comment.

**NOW, THEREFORE, IT IS HEREBY RESOLVED** by the City Council of the City of Carpinteria that:

1. Adoption of the updated City of Carpinteria Affordable Housing Policies and Procedures 2010 is categorically exempt from the California Environmental Quality Act pursuant to Guidelines §15061, because this activity is a general administrative / policy document and therefore is not a project as defined by §15378. Updating the handbook does not result in any changes in land use or density over that which would be allowed under existing zoning and general plan designations, as the adoption only establishes administrative procedures for calculating rental and for-sale unit prices and qualifying households for affordable units. Such requirements were already established when Ordinance 590 and 601 were adopted.
2. The City of Carpinteria's updated Affordable Housing Policies and Procedures 2010 is adopted as Exhibit 1 of the City Council Staff Report dated September 13, 2010.

**PASSED, APPROVED AND ADOPTED** this 13th day of September 2010, by the following called vote:

**AYES:** COUNCILMEMBERS: Clark, Stein, Reddington, Armendariz, Carty

**NOES:** COUNCILMEMBER(S): None

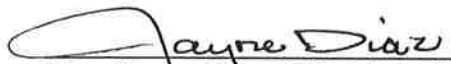
**ABSENT:** COUNCILMEMBER(S): None

  
\_\_\_\_\_  
Mayor, City of Carpinteria

ATTEST:

  
\_\_\_\_\_  
City Clerk, City of Carpinteria

I hereby certify that the foregoing resolution was duly and regularly introduced and adopted at a regular meeting of the City Council of the City of Carpinteria held the 13<sup>th</sup> day of September 2010.

  
\_\_\_\_\_  
City Clerk, City of Carpinteria

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Attorney