Affordable Housing Policy for the City of Hercules

1 Purpose and Intent

This is the Affordable Housing Policy of the City of Hercules ("City"). Along with this Affordable Housing Policy, the City has implemented the Inclusionary Housing Ordinance pursuant to Sections 10-19.101 through 10-19.113 of the Municipal Code to address how affordable housing units are made available and monitored to ensure compliance with local and state requirements. The Affordable Housing Policy shall apply to all deed-restricted affordable housing units within the City limits, including but not limited to:

1. Any affordable housing project developed within the City limits,

2. Affordable housing units developed pursuant to the state density bonus law pursuant to California Government Code Sections 65915 through 65918 and the City's Municipal Code, Chapter 13-30 Property Development Standards, Sections 13.-30.420 through 13-30.40,

3. Affordable housing units developed pursuant to the City's Municipal Code, Chapter 19 Inclusionary Housing, Sections 10-19.101 through 113 and,

4. Development agreements between a developer and the City pursuant to the Municipal Code, Chapter 13-30 Property Development Standards.

The City seeks to promote and maintain a balanced and economically diverse community with a mix of workplaces and residential uses that offer a variety of housing types. The City strives to ensure that an adequate supply of affordable housing is accessible to households at all economic levels of the community.

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2 Definitions

2.1 Affordable Housing Covenant. A written agreement between the City and the Developer or Homeowner prescribing covenants securing the long term affordability on real property in a form acceptable to the City Attorney.

2.2 Affordable Housing Policy. These affordable housing policies adopted by the City Council by Resolution No 21-010 on February 23, 2021, or as hereafter amended by the City Council.

2.3 Affordable Housing Plan. A plan submitted to and approved by the City demonstrating how a Developer would meet this Affordable Housing Policy, in a form acceptable to the Community Development Director.

2.4 Affordable Housing Units. Owner-occupied and rental units restricted by the City with an Affordable Housing Covenant.

2.5 Adjusted Gross Income. The gross income of all adult household members derived from any source, adjusted for household size, and in accordance with HSC Section 50093.

2.6 Area Median Income. Median household income ranges by household size established in California Code of Regulations, Section 6932 and amended updated by HUD, benchmarked to Contra Costa County median household incomes by household size ("AMI").

2.7 Borrower. Homeowner applying for and receiving financing for the purchase and ownership of an Affordable Housing Unit from a third-party lender.

2.8 City. The City of Hercules, California.

2.9 City Attorney. City of Hercules's City Attorney.

2.10 Community Development Director. City of Hercules's Community Development Director.

2.11 Developer: Parties who construct and/or own Affordable Housing Units in the City.

2.12 Density Bonus: A density increase over the otherwise maximum allowable residential density in accordance with the provisions of California's Density Bonus Law, including but not limited to Government Code Section 65915 as of the date of the project application.

2.13 Density Bonus Agreement. An agreement between a Developer and the City that governs the production and use of any Affordable Housing Units constructed pursuant to the City's density bonus ordinance in Chapter 13-30 of the Municipal Code and by Government Code Section 65915, as may be amended.

2.14 Gift Letter. Written correspondence from a family member or friend of a prospective Homeowner stating that money given to applicant is a gift and is not expected to be repaid. Gift documentation is required (showing evidence of transfer of funds to prospective Homeowner and the date of such, including a bank statement, copy of deposit, and of check).

2.15 Good Credit. Mid FICO score as determined by a credit consumer agency, including but not limited to Experian, Equifax, and TransUnion (typically a minimum mid FICO score of at least 670).

2.16 Health and Safety Code. The California Health and Safety Code ("HSC"), as it exists as of the date of this resolution or as subsequently amended.

2.17 Homeowner. Household members with homeownership rights of an owner-occupied Affordable Housing Unit.

2.18 Housing and Community Development. The California Department of Housing and Community Development ("HCD").

2.19Housing Urban Development. The U.S. Department of Housing and Urban Development ("HUD").

2.20 Inclusionary Housing Agreement. The agreement prepared pursuant to Chapter 10-19 of the Municipal Code to fulfil the City's inclusionary housing ordinance.

2.21 Income Levels. Annual household income categories (extremely low, very low, low, and moderate) pursuant to HSC 50093 and based on AMI, adjusted for household size by HCD and in accordance with adjustment factors adopted and amended from time to time by HUD, benchmarked to Contra Costa County median household incomes by household size. These income limits are presently equivalent to the following:

2.21.1 Extremely Low-Income Household. Household that meets the definition of HSC Section 50106, which is currently a household whose adjusted gross income does not exceed 30% of AMI, adjusted for household size and revised annually by HCD.

2.21.2 Very Low Income Household. Household that meets the definition of HSC Section 50105(a), which is currently a household whose adjusted gross income does not exceed 50% of AMI adjusted for household size revised annually.

2.21.3 Lower Income Household. Household that meets the definition of HSC Section 50079.5(a), which is currently a household whose adjusted gross income does not exceed 80% of AMI adjusted for household size revised annually.

2.21.4 Moderate Income Household. Household that meets the definition of HSC Section 50093(b), which is currently a household whose adjusted gross income does not exceed 120% of AMI adjusted for household size revised annually.

2.22 Interest List. The City's list of households that have completed and returned a form acceptable to the Community Development Director seeking to be informed of opportunities to purchase or rent Affordable Housing Units in the City.

2.23 Marketing Plan. The plan that describes the process by which Affordable Housing Units would be marketed to prospective Homeowners and Tenants prepared by a Developer and submitted to the Community Development Director, in the form attached herewith as Exhibit A.

2.24 Municipal Code. The City of Hercules's Municipal Code.

2.25 Occupancy Limits. The minimum and maximum number of people allowed to occupy a housing unit of a given size. Minimum occupancy requirements are one person per bedroom. Maximum occupancy is two persons per bedrooms in any unit plus one additional person (e.g. 3 persons for a one-bedroom unit).

2.26 Rental: Affordable Housing Unit intended for household occupancy pursuant to a lease or rental agreement.

2.27 Tenant: A household that legally occupies a Rental unit.

3 Affordable Housing Agreements

To secure the production and placement of Affordable Housing Units, the City's Community Development Director will review and approval of an affordable housing agreement as specified herein.

3.1 Density Bonus. Any density bonus projects require the preparation and recording of a Density Bonus Agreement, as delineated in California Government Code Sections 65915 through 65918, as may be amended.

3.2 Inclusionary Housing Units. Any projects with inclusionary housing under the City's inclusionary housing ordinance require the preparation of an Inclusionary Housing Plan and recording of an Inclusionary Housing Agreement, as delineated in Section 10-19.106 of the Municipal Code.

3.3 Other Affordable Housing Agreements. The City will require preparation of agreements to secure the affordability of units produced within the City limits pursuant to Chapter 10-19 of the Municipal Code, affordable units produced pursuant to California Government Code Sections 65915 through 65918, as may be amended, or any other affordable housing projects within the City. Such affordable housing agreements should include, at a minimum, the following:

3.3.1 Preparation of Agreement – Before the City issues a building permit or approves a final map, whichever occurs first, the developer must record an Affordable Housing Agreement that conforms to the requirements of this Affordable Housing Policy and in a form approved by the City Attorney.

3.3.2 Site Plan – Description and site plan of the project, including unit plans and bedroom configurations (square feet, bedroom count, amenities), along with identification of the planned Affordable Housing Units. Affordable Housing Units must be spread throughout the project, built to the same standards, except for owner-purchased upgrades, and be in proportion to the composition of the entire project (square feet, bedroom count, and amenities). There should be no difference in terms of design and build quality between the Affordable Housing Units and market-rate units.

3.3.3 Phasing Plan – Affordable Housing Unit shall be developed concurrently and proportionately with the construction of market-rate units throughout each phase of development.

3.3.4 Duration of Affordability – Affordable Housing Covenants for Affordable Housing Units shall ensure the restriction of not less than 55 years.

3.3.5 Applicant's Acknowledgements – Acknowledgement that the Affordable Housing Agreement is a condition of approval (that would be executed prior to recordation of the final map or certificate of occupancy, where the housing project does not involve a subdivision). Acknowledgement and understanding of the City's Tenant or Homeowner Marketing Plan as detailed in this Affordable Housing Policy.

3.3.6 Recording – The Affordable Housing Agreement shall be a condition of approval that would be approved by the City and accepted by the applicant prior to the recordation of the final map or permit issuance, where the housing project does not include subdivision.

4 Interest List

The Community Development Director shall be responsible for preparing and maintaining an Interest List for Affordable Housing Units and shall follow this Affordable Housing Policy for preparing and using the Interest List.

4.1 Public Noticing Procedures. To notify prospective Homeowners or Renters about the opportunity to be included on the Interest List, Community Development Director shall periodically but not less than annually publish notices in news and/or social media outlets that are widely available in the City, including media that reaches minority communities, particularly Spanish-language households.

Said notice shall briefly and plainly explain what affordable housing is, state the applicable income requirements, indicate how to apply for the Interest List, and provide a telephone number for questions.

4.2 Interest List Applications. Applications for the Interest List shall be created by and submitted to the Community Development Director. Applications shall require the prospective Homeowner's or Tenant's name, mailing address, electronic mail completed address, telephone number, household size, date of birth, residency, place of employment, income category amount (based on choices in the interest list application), housing type interest (affordable rental housing or homeownership), interest in type of housing (family or senior), and signature.

4.3 Interest List. The Community Development Director shall create an Interest List using the information provided on the Interest List applications received. The Interest List would be used by the City to notify prospective Homeowners or Tenants of new Affordable Housing Units that become available in the City. For this reason, it is the responsibility of the prospective Homeowner or Tenant to update the Community Development Director if their contact information changes after submitting the application to be on the Interest List by completing and submitting a replacement application for the Interest List in the same manner as described in Section 4.2.

5 Referrals to New Affordable Housing Units

This Section only applies to New Affordable Housing Units constructed in the City and becoming available for occupancy for the first time. The Developer and the City's Community Development Director shall follow these procedures:

5.1 Submit Marketing Plan to City. At least 180 days prior to issuance of a Certificate of Occupancy by the City for new Affordable Housing Units, a Developer shall provide

the Community Development Director a Marketing Plan (in the form consistent with Exhibit A) for review and approval.

5.2 Certificate of Occupancy. At least 90 days prior to the Issuance of a Certificate of Occupancy by the City for new Affordable Housing Units, a Developer shall notify the City of the number and type (affordability level, number of bedrooms, ownership or rental) of residences available.

5.3 Screening and Selection of Prospective Homebuyers or Tenants. The Developer and City shall cooperate on further application screening for the selection and qualification of prospective Homebuyers or Tenants for new Affordable Housing Units.

5.4 Prioritization of Those Working or Living in the City, as Permitted. All applicable federal and state fair housing laws must be observed. As allowable by law, a Developer shall prioritize City residents and those employed in the City with minimum working hours of at least 36 hours per week.

6 Homeowner Eligibility and Resale Procedures

This Section shall apply to the determination of eligibility

6.1 Determination of Eligibility. The determination of eligibility for prospective Homeowners will be the responsibility of the Developer, or in the case of a resale, current Homeowner.

6.2 Eligibility Review. The eligibility review will include at a minimum: documentation of Adjusted Gross Income (including income source and annual gross income calculations), credit reporting from all three credit bureaus (Experian, Equifax and TransUnion), interest and dividends from bank statements, and any additional documents requested by the City. The City has provided a worksheet detailed in Exhibit B to assist with this calculation of eligibility and Affordable Housing Cost.

The following details additional prospective Homeowner eligibility requirements:

6.2.1 A prospective Homeowner may not own total assets that exceed 50% of the purchase price of the home or have any financial interest in another United States residential property (including mobile or manufactured homes) at the close of sale.

6.2.2 No prospective Homeowner may purchase or occupy an Affordable Housing Unit unless the City or City's designee has approved the household's eligibility based on Income Limits and Affordable Housing Cost, and the Developer or Homeowner

along with the City have executed and recorded an Affordability Housing Covenant in the chain of title of the Affordable Housing Unit.

6.3 Ineligible Individuals. By virtue of their position or relationship, the following are ineligible to own or occupy an Affordable Housing Unit created pursuant to this Affordable Housing Policy:

6.3.1 All employees and officials of the City or its agencies, authorities, or commissions who have, by the authority of their position, policy-making authority or influence over the implementation of this Affordable Housing Policy and the immediate relatives of such City employees and officials.

6.3.2 The immediate relatives of the Developer or owner including any spouse, child, parent, grandparent, brother, sister, father-in-law, mother-in-law, son-in-law, aunt, uncle, niece, nephew, sister-in-law, and brother-in-law of the subject in question who sells the Affordable Housing Units for initial sale to the first set of income eligible buyers.

6.4 Principal Residence. Prospective Homeowners must occupy the Affordable Housing Unit as primary residence and pursuant to the Affordable Housing Covenant and follow Occupancy Limits defined in ~~Section 01~~ **Section 2.25**.

6.5 Affordable Housing Cost. For owner-occupied properties, the total monthly affordable housing cost will be calculated, as may be amended.

6.6 Affordable Rent. For any rental housing, the maximum monthly affordable rents—including a reasonable allowance for utilities pursuant to HSC Section 50053—shall be calculated by a combination of the published HCD AMI limits and the same family size adjustments appropriate for the unit as identified above for owner-occupied units.

6.7 Homeowner 3rd Party Financing Terms. Eligible Homeowners must adhere to the following requirements when securing or modifying a loan, mortgage, or other financing instrument used to purchase an Affordable Housing Unit:

6.7.1 Down Payment. Prospective Homeowners are required to provide a down payment of at least five percent (5%). Down payment gifts by family members or friends of prospective Homeowners (up to the maximum amount of 20% of the purchase price) are allowed with a “gift letter.”

6.7.2 Credit Score. Prospective Homeowners must have Good Credit as defined in Section 2.17. If necessary, Fannie Mae credit score guidelines may be considered to ensure the validity and evaluation of the credit report.

6.7.3 Assets. If a prospective Homeowner has investment assets (except qualified retirement accounts) that are not used for the down payment, income from such assets will be counted or imputed.

6.7.4 Recording. The recorded documents of the registered residential real property of the Affordable Housing Unit must be City approved. This includes the City's restricted Affordable Housing Covenants to all applicable documents.

6.7.5 Subordination. At the request of the Borrower's lender, the City may subordinate the foregoing income eligibility and resale price restrictions to a first Deed of Trust at the time of purchase, provided that the Deed of Trust does not exceed the purchase price of the Affordable Housing Unit.

6.7.6 Refinancing. The City must approve in writing all financing and refinancing. The City would approve a refinancing of the first mortgage loan, if no additional cash is taken out other than the loan costs, the terms of the new loan are more favorable than the old loan, and the Borrower's credit is good at the time of refinancing. In no event shall the Borrower's total secured loan-to-value exceed 80%.

Notwithstanding the above, the following types of refinancing are not permitted: Negative amortization loans, balloon payments, and reverse mortgages.

6.8 Default and Foreclosure. A request for Notice of Default shall be recorded along with an Affordable Housing Covenant, which shall provide that any Notice of Default will constitute the borrower's Notice of Intent to Sell, and that the City may exercise its option to purchase. In the event that the City does not exercise its option to purchase and the Affordable Housing Unit is foreclosed upon, proceeds of the foreclosure sale shall be used first to satisfy the lender's lien(s) and any surplus proceeds shall be paid to the Homeowner.

6.9 Distribution of Insurance and Condemnation Proceeds. In the event that the Affordable Housing Unit is destroyed and insurance proceeds are distributed to the Homeowner instead of being used to rebuild, or in the event of liquidation of the homeowners' association, if applicable, and distribution of the assets of the association to the members, including the Homeowner, any surplus remaining after payment of encumbrances shall be distributed as set forth above with respect to default and foreclosure.

6.10 Property Resale and Transfer Restrictions. A Homeowner may only resell their Affordable Housing Unit under the terms and conditions of the Affordable Housing Covenant, including but not limited to the following:

6.10.1 Resale Price. To set the price upon resale, the price paid by the current Homeowner shall be adjusted by the percentage increase (or decrease) in Income Level during the period in which the homeowner owned the Affordable Housing Unit. There is no assurance that the past rate of increase will continue in the future. The maximum affordable sales price and qualifications of prospective Homebuyers permitted on resale of an Affordable Housing Unit must be specified in an Affordable Housing Covenant.

The maximum affordable sales price permitted on resale of an Affordable Housing Unit resale shall not exceed the seller's purchase price, adjusted for the percentage increase in AMI since the seller's purchase, regardless of any added value resulting from substantial structural or permanent fixed improvements to the Affordable Housing Unit.

6.10.2 Deed. Subject to all recorded approved City documents, a zero-balance Deed of Trust will be executed and will acknowledge all terms and conditions applicable to the Affordable Housing Unit entered into with the City.

6.10.3 Right of Refusal. Throughout the 55-year period of the Affordable Housing Covenant, the City shall have the first opportunity to purchase Affordable Housing Units. Homeowners wishing to sell their Affordable Housing Unit shall notify the City in writing at least 60 days before the Affordable Housing Unit is offered for sale to another qualifying party.

The seller shall ensure that the residence is clean, in good repair, and is available to be shown to prospective buyers. Any option-related time periods in favor of the City shall be tolled until these conditions are met to the City's reasonable satisfaction.

The City shall have 60 days to notify the seller of its intent to exercise the option to purchase, either by City purchase, by its designee (e.g., a non-profit affordable housing developer), or by referral of a qualified prospective Homeowner meeting the requirements of the Affordable Housing Covenant and this Affordable Housing Policy. The method for calculating the subsequent purchase price is detailed in Section 6.10.1.

In the event that the City does not exercise the option to purchase, or an offer to purchase by the City or a qualified prospective Homebuyer presented to the seller by the City is not accepted by the seller, the option shall terminate and the Homeowner may sell their Affordable Housing Unit to any income-qualified buyer at a price consistent with this Affordable Housing Policy. Seller shall only accept an offer by an income-qualified buyer at a price consistent with this Affordable Housing Policy.

6.10.4 Closing Costs. Closing costs shall be divided between seller and buyer as is customary for like real estate transactions in the City at the time that escrow is opened.

6.10.5 Resale to Eligible Applicant. Homeowners of an Affordable Housing Unit shall be subject to the same eligibility requirements and documentation required for any such buyer as described under this Section.

6.10.6 Replacement Affordable Housing Covenant. A new Affordable Housing Covenant will be entered into upon each change of ownership of an Affordable Housing Unit and upon any transfer or conveyance (whether voluntarily or by operation of law) of an Affordable Housing Unit. The replacement Affordable Housing Covenant shall remain in effect for a minimum of 55 years following the date of the last transfer.

6.10.7 Resale to Ineligible Applicants. In the event that the Affordability Housing Covenant has been previously fulfilled or mutually terminated by all parties involved, including the City and the Homeowner, a home buyer of an Affordable Housing Unit shall not be subject to the same eligibility requirements and documentation required for any such buyer as described under this Section.

6.10.8 Title Change. In cases of title change or transfer of the Affordable Housing Unit, such as by bequest or inheritance, any non-income eligible beneficiary must sell the Affordable Housing Unit to an income-eligible household within one year of title being transferred to the beneficiary.

7 Tenant Eligibility

7.1 Prospective Tenants. Developers shall follow the procedures detailed in Section 5 to market the Affordable Housing Units. The selection of prospective Tenants for Affordable Housing Units shall be determined, pursuant to Exhibit C.

7.2 Determination of Eligibility. Tenant eligibility requirements shall be verified by the Developer. At a minimum, the review will include calculations of Adjusted Gross Income, documented income source, such as gross income from wages, overtime, pensions, public assistance, alimony, dividends and interest income. The City has provided a worksheet detailed in Exhibit C to assist with this calculation of eligibility and Affordable Rent. The following details additional tenant eligibility requirements:

7.2.1 Prospective Tenants' maximum Adjusted Gross Income may not exceed the Income Limits applicable to the Rental they are seeking.

7.2.2 No prospective Tenant may occupy an Affordable Housing Unit unless the City or City's designee has approved the prospective Tenant's eligibility based on the Income Limits and Affordable Rent, and the Developer along with the City have executed and recorded an Affordability Housing Covenant in the chain of title of the Affordable Housing Unit.

7.3 Ineligible Individuals. The following individuals, by virtue of their position or relationship, are ineligible to occupy an Affordable Housing Unit created pursuant to this Section:

7.3.1 All employees and officials of the City or its agencies, authorities, or commissions who have, by the authority of their position, policy-making authority or influence over the implementation of this Affordable Housing Policy and the immediate relatives of such City employees and officials.

7.3.2 The immediate relatives of the developer or owner including any spouse, domestic partner, child, parent, grandparent, brother, sister, father-in-law, mother-in-law, son-in-law, aunt, uncle, niece, nephew, sister-in-law, and brother-in-law of the subject in question.

7.4 Affordable Rents. Affordable rent for multifamily rental units includes the monthly rent plus a reasonable utility allowance pursuant to HSC Section 50053 and as defined in Section 6.6. The amount included for monthly utility costs may be determined by the amounts established annually and published by the Housing Authority of County of Contra Costa.

7.5 Principal Residence. All eligible tenants must occupy their respective affordable unit as primary residence and follow occupancy requirements as defined in Section 0**5**.

8 Annual Compliance Monitoring

8.1 The City shall have the right to request information from Developers, Homeowners, and Tenants as necessary to perform required annual monitoring of the Affordable Housing Unit.

8.1.1 Homeowner Compliance Monitoring. The City shall have the right to verify the Homeowner's occupancy status annually by requesting a complete statement of occupancy certification and supporting documentation, such as utility statement, property tax bill, or other documentation that demonstrates the Affordable Housing Unit is occupied as a primary residence.

8.1.2 Tenant Compliance Monitoring. The City shall have the right annually to monitor the compliance of the Rental units corresponding to Tenant's income certification, acceptable income documentation (e.g., earning statements, award letter, social security income), maximum affordable rent, and occupancy limits. The Developer shall ensure that their property manager shall fully cooperate to monitor the condition of the Rental unit pursuant to this Affordable Housing Policy.

In the event that a Tenant is no longer qualified to occupy its Affordable Housing Unit, as determined by an income exceeding 120 percent of the allowable AMI for the Affordable Housing Unit, the Tenant would need to relocate from the Affordable Housing Unit within 90 days at the request of the City, and the property manager shall find an eligible tenant for replacement.

Notwithstanding, once a household no longer meets the income qualifications for occupancy of an Affordable Housing Unit, the Rental shall be deemed to be in noncompliance and the property manager shall replace the Affordable Housing Unit, once vacated, with an eligible Tenant.

Exhibit A: Sample of Marketing Plan

Introduction

Terms used in this Sample Marketing Plan are defined in the City's Affordable Housing Policy, incorporated herein by reference.

Process and Content of Advertising Affordable Housing Units

Developer shall run at least one (1) advertisement or notice in news and/or social media outlets that are widely available in the City, including media that reaches minority communities, particularly Spanish-language households.

The advertisements shall be coordinated and/or at such time as determined by the City.

Not less than ten (10) days prior to the publication of the newspaper advertisement or broadcast of the radio advertisement, Developer shall submit the advertisement to City for approval.

No advertisement shall be published or broadcasted without written City approval. Each newspaper shall include the official "Equal Housing Opportunity" logo and each radio advertisement shall incorporate the statement "Equal Housing Opportunity." All advertisements shall conform to the requirements of the Fair Housing Act.

Advertisements shall state that if the number of qualified persons exceeds the number of Affordable Housing Units available. The name and telephone number of the person to contact to obtain additional information regarding eligibility requirements and resale restrictions shall also be provided in the advertisement. The advertisement shall clearly state the deadline for inclusion.

Notice of Availability to City and other Agencies

Prior to the issuance of a notice of availability of the units ("Notice of Availability"), Developer shall submit the Notice of Availability to City for approval. The Notice of Availability shall not be issued without written City approval.

Developer shall issue the Notice of Availability to City, households on the City's Interest List, and any and all housing advocacy agencies, community groups and/or any organizations as directed by City. City shall furnish names and addresses of the organizations to receive the Notice of Availability. The Notice of Availability shall be provided concurrent with commencement of the advertisements described above.

Exhibit A: Sample of Marketing Plan

Informational Sheet for Prospective Homeowners or Tenants

The Informational Sheet shall be a one- to two-page handout summarizing the information included in the Informational Packet.

Developer and City shall cooperatively prepare an Informational Sheet to be provided to persons interested in receiving information about the Affordable Housing Units.

The Informational Sheet shall be completed to City's satisfaction no later than the date of the publication and/or broadcast of the advertisements described above. The Informational Sheet shall not be considered complete unless and until the City provides written approval of the Informational Sheet.

Informational Packet Contents

The Informational Packet shall include the following:

- A description of the eligibility requirements, including the income qualifications;
- A copy of the Affordable Housing Covenant and Preemptive Right;
- An Application for Eligibility, which shall include a mortgage pre-qualification application with Developer's preferred lender;
- A list of lenders providing no-cost loan approval, if any; and
- Any other information or documents determined necessary to be included by City.

City Review of Marketing Plan and Related Activities

City shall respond in a commercially reasonable time frame when action by the City is required under this Marketing Plan or such action is necessary and reasonably requested in writing by Developer.

Exhibit B: Calculation of Homebuyer Eligibility Requirements and Affordable Housing Cost Limits

Pursuant to Section 6.2 of the City's Affordable Housing Policy, Developers are required to conduct a review of eligibility and affordability for prospective Homeowners. This guide may be used by Developers to assist them in determining the eligibility and maximum affordable housing cost calculation for Homebuyers.

Part 1: Homebuyer Eligibility Requirements

Step 1: Determine if Prospective Homeowner is Eligible or Ineligible

Determine if a prospective Homeowner has met the eligibility requirements pursuant to Sections 6.2, 6.2.1 and 6.2.2 of the Affordable Housing Policy. Additionally, the household's eligibility to participate in the City's affordable housing program is based on the adjusted qualifying income limits adjusted for family size for Very Low and Low households as described in Section 2.18 of the Affordable Housing Policy and described in HSC Section 50093.

Step 2: Verify Prospective Homeowner's Credit Score

Prospective Homeowners must provide a credit report from all three credit bureaus (Experian, Equifax and Transunion). Credit scores must be "good", defined in Section 2.17 of the Affordable Housing Policy as being greater than or equal to 670. If necessary, Fannie Mae credit score guidelines may be considered to ensure the validity and evaluation of the credit report.

Step 3: Calculate Household Adjusted Gross Income

Developers must collect current documentation, at a minimum of two months, from the prospective Homeowner in order to calculate household annual adjusted gross income. Additionally, the prospective Homeowner must have a minimum of 2 years of employment history. The following considerations are listed below for determining eligibility requirements:

1. Define the type of Income
2. Collect and document the income source as listed below:
    a. Base Employment Income
    b. Overtime
    c. Bonuses
    d. Commissions
    e. Interest and dividends from bank statements
    f. Other (e.g., Child Support, Alimony)

Exhibit B: Calculation of Homebuyer Eligibility Requirements and Affordable Housing Cost Limits

3. Identify the method of calculation by determining the qualifying income
4. Calculate the total household adjusted gross income based on the income source for all prospective Homeowners

The City recommends that the Developer ensures that the household adjusted gross income of the prospective Homebuyers falls within the qualifying income limit for the household size and may not exceed the qualifying published limits for the current year.

Part 2: Affordable Housing Cost Limits

Step 4: Determine AMI Category

Determine the maximum AMI limit as categorized by the household size published limits by HCD for the County of Contra Costa.

a. Identify the percentage qualifying limit pursuant to HSC 50052.5 for the applicable calculation of the bedroom unit size. The qualifying limits for the percentage are as follows:

    - 30% - Extremely Low
    - 50% - Very Low
    - 70% - Low
    - 110% - Moderate

Step 5: Determine Maximum Annual Payment

Determine the maximum annual payment in which the AMI is multiplied by 30% and then the percentage of the qualifying limit. Please not for the Moderate income limit calculation the AMI is multiplied by 35% and then by 110%.

a. Identify the results of the total annual amount

Step 6: Maximum Monthly Affordable Rental Limit

Determine the maximum monthly affordable rent amount limit through dividing the total annual amount results by 12.

For example, if a 2-bedroom unit will be occupied by low income household. The identified AMI limit for a household size of two is $107,300. The AMI is multiplied by 30% and then by 70%. The resulting maximum annual amount is $22,533 which is divided by 12 for the maximum monthly affordable housing cost amount of $1,878.

Exhibit B: Calculation of Homebuyer Eligibility Requirements and Affordable Housing Cost Limits

Table 1 below is identified as a guide for completing Steps 4 to 6 above.

Table 1

Studio Household Size 1					1 Bedroom Household Size 2				
Step 4: Area Median Income	Step 4a: Income Category	Step 5: Total Annual Amount Calculation	Step 5a: Total Annual Amount Results	Step 6: Monthly Affordable Housing Cost	Step 4: Area Median Income	Step 4a: Income Category	Step 5: Total Annual Amount Calculation	Step 5a: Total Annual Amount Results	Step 6: Monthly Affordable Housing Cost
$83,450	30% - Extremely Low	30% x 83,450 x 30%	$7,511	$626	$95,350	30% - Extremely Low	30% x 95,350 x 30%	$8,582	$715
	50% - Very Low	30% x 83,450 x 50%	$12,518	$1,043		50% - Very Low	30% x 95,350 x 50%	$14,303	$1,192
	70% - Low	30% x 83,450 x 70%	$17,525	$1,460		70% - Low	30% x 95,350 x 70%	$20,024	$1,669
	110% - Moderate	35% x 83,450 x 110%	$32,128	$2,677		110% - Moderate	35% x 95,350 x 110%	$36,710	$3,059

2 Bedroom Household Size 3					3 Bedroom Household Size 4				
Step 4: Area Median Income	Step 4a: Income Category	Step 5: Total Annual Amount Calculation	Step 5a: Total Annual Amount Results	Step 6: Monthly Affordable Housing Cost	Step 4: Area Median Income	Step 4a: Income Category	Step 5: Total Annual Amount Calculation	Step 5a: Total Annual Amount Results	Step 6: Monthly Affordable Housing Cost
$107,300	30% - Extremely Low	30% x 107,300 x 30%	$9,657	$805	$119,200	30% - Extremely Low	30% x 119,200 x 30%	$10,728	$894
	50% - Very Low	30% x 107,300 x 50%	$16,095	$1,341		50% - Very Low	30% x 119,200 x 50%	$17,880	$1,490
	70% - Low	30% x 107,300 x 70%	$22,533	$1,878		70% - Low	30% x 119,200 x 70%	$25,032	$2,086
	110% - Moderate	35% x 107,300 x 110%	$41,311	$3,443		110% - Moderate	35% x 119,200 x 110%	$45,892	$3,824

The maximum monthly housing payment for an affordable housing unit includes a mortgage principal amount, interest, taxes, insurance, and anticipated condominium/homeowners' association fees pursuant to HSC Section 50052.5.

Step 7: Determine the Maximum Supportable Mortgage

To determine the Maximum Supportable Mortgage, there are generally two options:

1) The prospective Homebuyer is pre-qualified for a maximum mortgage loan amount and is able to provide supported sourced income documentation.
2) The prospective Homebuyer is not pre-qualified for financing a mortgage loan and the Maximum Supportable Mortgage will need to be estimated by the Developer and then approved by a lender.

If the prospective Homebuyer has already qualified for a mortgage loan, it would be incumbent upon the Developer to determine the cost components (e.g., mortgage principal, interest, taxes, insurance, and anticipated condominium/Homeowners' association fees) that would be in accordance with the Maximum Monthly Housing Payment and the Maximum Supportable Mortgage.

Exhibit B: Calculation of Homebuyer Eligibility Requirements and Affordable Housing Cost Limits

If the prospective Homebuyer has not yet qualified for a mortgage loan, the Developer would need to estimate the Maximum Supportable Mortgage based on (but not limited to) the Maximum Monthly Housing Cost, down payment, and prevailing mortgage loan interest rates. Following the Developer's estimation of the Maximum Supportable Mortgage, it would be incumbent on the prospective Homebuyer to apply and qualify for a mortgage loan from a lending institution.

Exhibit C: Calculation of Tenant Eligibility Requirements and Affordable Rent Limits

Pursuant to Section 7.2 of the City's Affordable Housing Policy, Developers are required to conduct a review of prospective Tenants in order to determine eligibility and affordable rent calculation. This guide may be used by Developers to assist them in doing so.

Part 1: Tenant Eligibility Requirements

Step 1: Determine if Prospective Tenant is Eligible or Ineligible

Determine if a prospective Homeowner has met the eligibility requirements pursuant to Sections 7.2.1 and 7.2.2 of the Affordable Housing Policy. Additionally, the household's eligibility to participate in the affordable housing program of the City is based on the adjusted qualifying income limits adjusted for family size for Very Low, Low, and Moderate households as described in Section 2.18 of the Affordable Housing Policy and described in HSC Section 50093.

Step 2: Calculate Household Adjusted Gross Income

Developers must collect the documentation, at a minimum of two months, from the prospective Tenants in order to calculate household annual adjusted gross income. The following considerations are listed below for determining eligibility requirements:

5. Define the type of Income
6. Collect and document the income source as listed below:
    a. Base Employment Income
    b. Overtime
    c. Bonuses
    d. Commissions
    e. Interest and dividends from bank statements
    f. Social Security Income
    g. Other (e.g. Child Support, Alimony)
7. Identify the method of calculation by determining the qualifying income
8. Calculate the total household adjusted gross income based on the income source for all prospective Tenants

The City recommends that the Developer ensures that the household adjusted annual gross income of the prospective Tenant falls within the qualifying income limit for the household size and may not exceed the qualifying published limit.

Exhibit C: Calculation of Tenant Eligibility Requirements and Affordable Rent Limits

Part 2: Affordable Rent Limits

Step 3: Determine Income Category

Determine the maximum AMI limit as categorized by the household size published limits by HCD for the County of Contra Costa.

a. Identify the percentage qualifying limit pursuant to HSC 50052 for the applicable calculation of the bedroom unit size. The qualifying limits for the percentage are as follows:

    - 30% - Extremely Low
    - 50% - Very Low
    - 60% - Low
    - 110% - Moderate

Step 4: Determine Maximum Annual Payment

Determine the maximum annual payment in which the AMI is multiplied by 30% and then the percentage of the qualifying limit. Identify the results of the total annual amount.

Step 5: Maximum Monthly Rental Payment Limit

Determine the maximum monthly affordable rent amount limit through dividing the total annual amount results by 12.

For example, if a 1-bedroom unit will be occupied by very low income household. The AMI limit is identified for a household size of two as $95,350. The AMI is multiplied by 30% and then by 50%. The resulting maximum annual amount is $14,303 and is divide by 12 for the maximum affordable rental amount of $1,192.

Table 1 below is identified as a guide for completing Steps 3 to 5 above.

Exhibit C: Calculation of Tenant Eligibility Requirements and Affordable Rent Limits

Table 1

Studio Household Size 1					1 Bedroom Household Size 2				
Step 3: Area Median Income	Step 3a: Income Category	Step 4: Total Annual Amount Calculation	Step 4a: Total Annual Amount Results	Step 5: Monthly Affordable Rent	Step 3: Area Median Income	Step 3a: Income Category	Step 4: Total Annual Amount Calculation	Step 4a: Total Annual Amount Results	Step 5: Monthly Affordable Rent
$83,450	30% - Extremely Low	30% x 83,450 x 30%	$7,511	$626	$95,350	30% - Extremely Low	30% x 95,350 x 30%	$8,582	$715
	50% - Very Low	30% x 83,450 x 50%	$12,518	$1,043		50% - Very Low	30% x 95,350 x 50%	$14,303	$1,192
	60% - Low	30% x 83,450 x 60%	$15,021	$1,252		60% - Low	30% x 95,350 x 60%	$17,163	$1,430
	110% - Moderate	30% x 83,450 x 110%	$27,539	$2,295		110% - Moderate	30% x 95,350 x 110%	$31,466	$2,622

2 Bedroom Household Size 3					3 Bedroom Household Size 4				
Step 3: Area Median Income	Step 3a: Income Category	Step 4: Total Annual Amount Calculation	Step 4a: Total Annual Amount Results	Step 5: Monthly Affordable Rent	Step 3: Area Median Income	Step 3a: Income Category	Step 4: Total Annual Amount Calculation	Step 4a: Total Annual Amount Results	Step 5: Monthly Affordable Rent
$107,300	30% - Extremely Low	30% x 107,300 x 30%	$9,657	$805	$119,200	30% - Extremely Low	30% x 119,200 x 30%	$10,728	$894
	50% - Very Low	30% x 107,300 x 50%	$16,095	$1,341		50% - Very Low	30% x 119,200 x 50%	$17,880	$1,490
	60% - Low	30% x 107,300 x 60%	$19,314	$1,610		60% - Low	30% x 119,200 x 60%	$21,456	$1,788
	110% - Moderate	30% x 107,300 x 110%	$35,409	$2,951		110% - Moderate	30% x 119,200 x 110%	$39,336	$3,278

The Maximum Monthly Rental Payment Limits for an Affordable Housing Unit include scheduled tenant paid rent and a reasonable utility allowance amount as set periodically by the Housing Authority of the County of Contra Costa, pursuant to HSC Section 50053.