

INCLUSIONARY HOUSING PROGRAM

IMPLEMENTATION GUIDELINES

JULY 2005



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INCLUSIONARY HOUSING PROGRAM IMPLEMENTATION GUIDELINES

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INTRODUCTION

This document consists of administrative guidelines for the implementation of Chapter 15.40 of the West Sacramento Municipal Code. These guidelines are not the law, but rather they are the standards by which the law will be implemented. This document may be revised at any time at the direction and approval of the City Manager.

The purpose of this document is to provide guidance to developers of residential projects in implementing the City of West Sacramento's Inclusionary Housing Program. These guidelines are intended to facilitate the development process of residential projects by assisting applicants in understanding their affordable housing requirements from the pre-application stage of development onward.

Inclusionary housing is a local land use policy designed to increase the amount of affordable housing in the area and to promote mixed-income communities by requiring a specified percentage of affordable units to be included in each new residential development. On March 12, 2003, the West Sacramento City Council adopted a revised Housing Element of the General Plan. The adopted Housing Element included *Implementation Program #2, Affordable Housing Requirement for Residential Development*, which established citywide affordable housing requirements for new residential developments.

In order to enact this Implementation Program of the Housing Element, the City Council adopted an inclusionary housing policy on April 20, 2005 (Ordinance 05-3), which is set forth in Chapter 15.40 of the Municipal Code. This policy applies to all new residential projects constructed outside of the City's Redevelopment Project Area (residential developments located within the Redevelopment Project Area are subject to a separate inclusionary housing policy). As a provision of the Ordinance 05-3, the City Manager was authorized to develop and promulgate these guidelines to implement the City's inclusionary housing policy. These guidelines are administrative policy and as such are subject to periodic updating and modification with the direction and approval of the City Manager.

1. OVERVIEW OF CITY'S INCLUSIONARY HOUSING POLICY

1.1 Purposes and Background

In summary, the purposes of the City's inclusionary housing policy are to:

1. Increase the supply of affordable housing within the City limits for all economic segments of the community;
2. Create mixed-income communities with quality affordable homes integrated into new market-rate residential developments; and
3. Maintain the long-term availability and quality of the affordable housing units constructed as a result of the policy, sustaining an important community asset.

Chapter 15.40.070 of the City's inclusionary housing ordinance lays out the principal standards of implementation, including:

- *Applicability of Policy*—the types of projects to which the ordinance applies;
- *Required Percentages of Affordability*—the specific percentages of affordable units required in new residential projects;
- *Duration of Affordability*—the amount of time the affordable units must be maintained as affordable;
- *Dispersal*—the integration of affordable units within each project;
- *Timing*—when affordable units are required to be built;
- *Design Standards*—the criteria for design and size of the affordable units;
- *Possible Incentives*—the incentives that may be available to developers for complying with or exceeding inclusionary housing requirements.

Note on Definitions:
Several specific terms related to affordable and inclusionary housing are used throughout this document. A complete list of definitions is provided in *Exhibit A*.

1.2 Summary of Basic Requirements

This section provides an overview of the standard requirements of the policy as they apply to for-sale and rental residential projects. Developers should become familiar with these basic requirements when first considering a residential project. This should help with "designing" the inclusionary housing requirements into the project, saving time on necessary revisions through the application process. A table is provided on the following page summarizing these basic requirements.

1.2.1 Applicability of Policy

The inclusionary housing policy applies to for-sale or rental projects based on the following criteria:

A. Initiation of Review

Any application for a residential project or a mixed-use project with a housing component is subject to review for compliance under the City's inclusionary housing policy. Examples of actions that initiate this review are applications for tentative maps, parcel maps, conditional use permits, zoning administrator permits, design review, or building permits. Regardless of the location, size, or features of the residential project, each application will be reviewed by the City for compliance with the inclusionary housing ordinance.

Summary of Inclusionary Housing Policy Requirements

Requirement	Section of Guidelines	For-Sale Projects	Rental Projects
Minimum Project Size & Location	1.2.1	Projects of 10 or more units located outside of the Redevelopment Project Area must construct inclusionary housing units (projects of 2-9 units may pay in-lieu fee; no inclusionary requirement or fee for 1-unit projects)	
Affordability of Units	1.2.2	15% of total units: 10% moderate-income; 5% low-income	15% of total units: 5% very low-income; 5% low-income; 5% moderate-income
Duration of Affordability	1.2.3	45 years (enforced by Regulatory Agreement recorded on property of each unit)	55 years (enforced by Regulatory Agreement recorded on property of each project)
Dispersal	1.2.4	Inclusionary units must be dispersed throughout project	
Timing	1.2.5	Inclusionary units must be constructed concurrently with, or prior to, market-rate units	
Unit Size & Design	1.2.6	Exterior of inclusionary units must be visually consistent with market-rate units; interior differences are permitted	
Incentives	1.2.7	Developers may request incentives for meeting or exceeding inclusionary housing obligations, such as density bonuses, parking or zoning modifications, financial assistance; or propose limited types of alternatives to meet inclusionary obligation	

B. Location of Project

Residential projects located outside the boundary of the City's Redevelopment Project Area, including those located within the Exclusion Areas, are subject to the ordinance. A map on the following page indicates these boundaries. A similar but separate inclusionary housing policy based on the requirements of Community Redevelopment Law applies to residential projects located within the boundary of the Redevelopment Project Area. Developers of projects within this area should contact the Department of Grants and Community Investment for information about this policy.

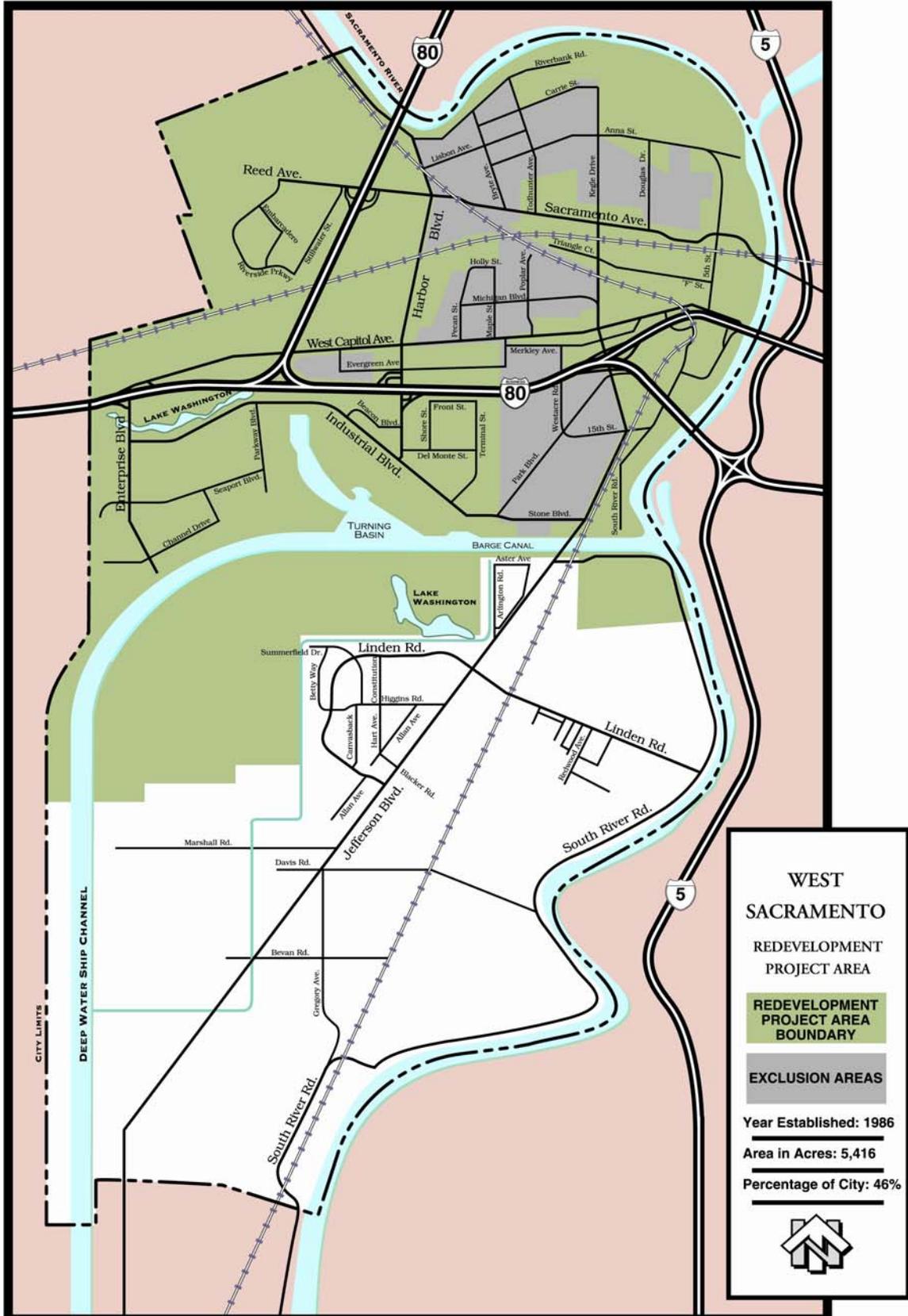
C. Number of Units in Project

Developers of residential projects consisting of 10 or more units must provide affordable housing units within the project. Developers of projects containing 2-9 units may satisfy the inclusionary housing requirement either by constructing one affordable unit or by paying the applicable in-lieu fee to the City. There is no inclusionary housing requirement triggered for the construction of a single housing unit at one location.

D. Exemptions from Policy

Generally, developers who have submitted a complete application to the City for a vesting tentative map or vesting parcel map on or before March 13, 2003 are exempt from compliance with the inclusionary housing ordinance. This exemption applies only to projects located outside of the Redevelopment Project Area. Questions regarding eligibility for exemption from the ordinance should be directed to the Department of Grants and Community Investment.

Redevelopment Project Area Boundary



1.2.2 *Required Percentages of Affordability*

The inclusionary housing ordinance requires specific percentages of affordable units to be included in each project. The ordinance also designates the percentages of income used to calculate affordable prices and rents for the inclusionary units.

A. Required Amount of Inclusionary Units

The inclusionary housing ordinance requires 15% of the total units in the project to be designated as affordable units. The affordability levels for the units required are different between rental and for-sale projects:

- For-Sale Projects:
10% moderate-income
5% low-income
- Rental Projects:
5% moderate-income
5% low-income
5% very low-income

Sample calculations of inclusionary housing obligations for various for-sale and rental projects are provided in the examples below.

For-Sale Project Examples:

Inclusionary Calculation Example 1:
A developer proposes a 100-unit subdivision:
10% moderate-income = 10 units
5% low-income = 5 units

Inclusionary Calculation Example 2:
A developer proposes a 40-unit subdivision:
10% moderate-income = 4 units
5% low-income = 2 units

Rental Project Examples:

Inclusionary Calculation Example 3:
A developer proposes a 160-unit multifamily rental project:
5% moderate-income = 8 units
5% low-income = 8 units
5% very low-income = 8 units

Inclusionary Calculation Example 4:
A developer proposes a 60-unit multifamily rental project:
5% moderate-income = 3 units
5% low-income = 3 units
5% very low-income = 3 units

B. Application of Fractional Remainders and In-Lieu Fees

Often the calculation of the inclusionary housing obligation for a project will result in a fractional remainder of affordable units. If the application of the required percentages for very low, low, or moderate-income units yields fractional remainders of units, the remainders are rounded to the nearest one-tenth. If the *combined* fractional remainder of very low, low, and moderate-income units equals less than 1, the developer has the option of either paying the in-lieu fee that is proportionate to the remaining fraction or including an additional moderate-income unit in the project. If the combined fractional remainder of very low, low, and moderate-income units is greater than 1 but less than 2, the developer will be required to build 1 additional moderate-

Note on In-Lieu Fees:

While an in-lieu fee payment for fractional remainders of inclusionary units is permitted by the inclusionary housing policy, the payment of in-lieu fees as a developer's alternative to constructing the required obligation of inclusionary housing units is not allowed. See *Exhibit E* for information on in-lieu fee calculations.

income unit. Finally, if the combined fractional remainder of very low, low, and moderate-income units equals 2 or more, the developer will be required to build 1 additional moderate-income unit and 1 additional low-income unit.

The following set of examples demonstrates the application of various fractional remainders:

For-Sale Project Examples:

<p>Fractional Remainder Example 1: A developer proposes a 146-unit subdivision: 10% moderate-income = 14 units (14.6) 5% low-income = 7 units (7.3) Total of fractional remainders = 0.9 units Developer may option to: a. Build 1 moderate-income unit; or b. Pay in-lieu fee for 0.9 units</p>	<p>Fractional Remainder Example 2: A developer proposes a 36-unit subdivision: 10% moderate-income = 3 units (3.6) 5% low-income = 1 unit (1.8) Total of fractional remainders = 1.4 units Developer is <i>required</i> to: a. Build 1 moderate-income unit</p>
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Rental Project Examples:

<p>Fractional Remainder Example 3: A developer proposes a 124-unit multifamily rental project: 5% moderate-income = 6 units (6.2) 5% low-income = 6 units (6.2) 5% very low-income = 6 units (6.2) Total of fractional remainders = 0.6 units Developer may option to: a. Build 1 moderate-income unit; or b. Pay in-lieu fee for 0.6 units</p>	<p>Fractional Remainder Example 4: A developer proposes a 74-unit multifamily rental project: 5% moderate-income = 3 units (3.7) 5% low-income = 3 units (3.7) 5% very low-income = 3 units (3.7) Total of fractional remainders = 2.1 units Developer is <i>required</i> to: a. Build 1 moderate-income unit; and b. Build 1 low-income unit</p>
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C. Affordable Purchase Prices and Rents

For purposes of calculating affordable purchase prices and affordable rents for inclusionary housing units, the ordinance requires the following percentages to be applied to each income level:

Income Level	Affordable Rent	Affordable Price
Very Low-Income	30% of monthly income at 50% of AMI	-
Low-Income	30% of monthly income at 60% of AMI	30% of monthly income at 80% of AMI
Moderate-Income	30% of monthly income at 110% of AMI	30% of monthly income at 120% of AMI

AMI: Area Median Income

The current Area Median Income limits for Yolo County are provided in *Exhibit B* of this document. The City uses these limits to calculate affordable purchase prices and rents for inclusionary housing units.

Affordable purchase prices for inclusionary units are calculated through the methodology set forth in *Exhibit C*. Changes to affordable purchase prices are based on annual adjustments to Area Median Income limits as well as fluctuations in primary mortgage interest rates. In addition to the calculation procedure, *Exhibit C* also provides illustrative samples of affordable purchase prices based on different interest rate scenarios for 2, 3, and 4-bedroom inclusionary units.

Note on Affordable Purchase Prices:

The tables provided in *Exhibit C* are intended to give developers of for-sale residential projects a general idea of what to expect for the affordable purchase prices of their inclusionary units. Upon request from a developer, the Department of Grants and Community Investment can provide estimates of current affordable purchase prices for inclusionary units. This estimate will be based on information provided by the developer to the City, and should be helpful to the developer in analyzing the feasibility of the proposed project.

Affordable rents are calculated by the City on an annual basis, and are adjusted each year for the current Area Median Income levels and utility allowances. *Exhibit D* provides the methodology for calculating affordable rent, as well as the current estimated affordable rent for units of various sizes.

1.2.3 *Duration of Affordability*

In order to maintain the affordable units created through the City's inclusionary housing ordinance as an important and sustainable community asset, the City requires long-term affordability restrictions for inclusionary units. As a condition of a residential development application and prior to the construction of any housing unit, a Regulatory Agreement will be recorded against each property that is subject to the affordability requirements of the inclusionary housing ordinance. This agreement will stipulate the long-term affordability requirements as they apply to the property, which shall run with the land throughout the duration of the affordability term. The affordability periods for rental and for-sale units are described below:

A. Rental Units—no less than 55 years

Inclusionary rental units are required to remain affordable to their designated income levels for no less than 55 years. This means that during the affordability period, affordable rents must be charged to tenants of the inclusionary units. Also, the income eligibility of tenants living in those units must be certified on an ongoing basis. Per Section 15.40.100 of the inclusionary housing ordinance, affordable units will be monitored annually by the City to ensure long-term compliance with the affordability requirements of the Regulatory Agreement.

B. For-Sale Units—45 years

For-sale inclusionary units must remain affordable for 45 years. This means that during the affordability period, the allowable sales price of a for-sale

inclusionary unit will be restricted to the affordable purchase price of the income level designated for the unit. In other words, the unit must remain affordable for purchase by a household of the same income level as the original purchaser for the 45-year affordability period. This restriction limits the owner's ability to accumulate equity based on market conditions or to re-finance the property for its market-rate value during the affordability period.

The Regulatory Agreements recorded against each for-sale inclusionary property also require that the owner's household occupy the home as its principal place of residence. However, the City does not re-certify the owner's household income as a low or moderate-income household after the unit is purchased, as there is no limitation on income increases once the home has been purchased.

1.2.4 *Dispersal*

The inclusionary housing ordinance requires dispersal of inclusionary units to avoid an over concentration of affordable units within one area. There are many possible configurations that may satisfy the dispersal requirement. Developers are encouraged to consult with the Department of Grants and Community Investment regarding the dispersal of affordable units in a project as early in the development application process as possible. Dispersal plans must be approved prior to the approval of a tentative subdivision map, or prior to the issuance of a building permit for projects that do not require a discretionary approval.

A. Dispersal Requirements for For-Sale Projects

In a for-sale project inclusionary units should be dispersed so that no more than two contiguous lots are affordable units. To ensure that over concentration of affordable housing does not occur within one area of a project, the ordinance requires that no more than 40% of the units within a residential development or building phase thereof are affordable units. The following example illustrates a for-sale residential development with inclusionary units dispersed throughout the project:

Dispersal Example 1—For-Sale Single-Family Subdivision:

A developer proposes a 178-unit subdivision:

10% moderate-income = 18 units

5% low-income = 9 units

- Affordable units are dispersed evenly throughout the subdivision as shown on the map.



B. Dispersal Requirements for Rental Projects

Inclusionary units in rental residential developments must also be dispersed throughout the project. Developers have the option of either designating specific units as inclusionary units or using a system of “floating units,” in which inclusionary units are re-designated within the project as needed based on changes in tenants’ household income and tenant turnover. Regardless of the system chosen by the developer, the following example demonstrates the requirements for a rental project that must be maintained for the duration of the affordability period:

Dispersal Example 2—Rental Multifamily Project:
A developer proposes a 100-unit multifamily project:

5% moderate-income = 5 units
5% low-income = 5 units
5% very low-income = 5 units

- Affordable units remain dispersed throughout the project.
- Affordable units of different sizes remain distributed proportionate to market-rate units.

Rental Unit Type	Units	Moderate-Income Units	Low-Income Units	Very Low-Income Units	Total # of Affordable Units
1-bedroom	40	2	2	2	6
2-bedroom	40	2	2	2	6
3-bedroom	20	1	1	1	3
Total Units	100	5	5	5	15

1.2.5 Timing

Inclusionary units are generally required to be constructed and offered for sale or rent concurrently with or prior to the market-rate units within a project. Developers are required to build their inclusionary units at a rate that is at least proportionate to the market-rate units in a project. By the time each 25% of the market-rate units in a project are completed, at least 25% of the inclusionary units in that project must be completed as well. The example below demonstrates this concept:

Concurrency Example:
A developer proposes an 80-unit for-sale subdivision:

10% moderate-income = 8 units
5% low-income = 4 units

- Affordable units are built at the same pace as market-rate units (see 1st table on next page).
- Affordable units are built prior to market-rate units (see 2nd table).

Concurrent Development of Inclusionary Units:

% of Project Completed	Total Units Completed	Moderate-Income Units	Low-Income Units	% of Inclusionary Units Completed
25%	20	2	1	25%
50%	40	4	2	50%
75%	60	6	3	75%
100%	80	8	4	100%

-OR-

Prior Development of Inclusionary Units:

% of Project Completed	Total Units Completed	Moderate-Income Units	Low-Income Units	% of Inclusionary Units Completed
25%	20	3	1	33.3%
50%	40	5	3	66.6%
75%	60	6	4	83.3%
100%	80	8	4	100%

1.2.6 *Design Standards*

The design and construction quality of inclusionary units is important to the creation of attractive mixed-income neighborhoods. In order to enhance the dispersal and integration of inclusionary units within a project, the inclusionary housing ordinance requires affordable units to be designed and built within the same standards as surrounding market-rate units. The requirements for design and development standards and size of inclusionary units are summarized below:

Note on Design Standards:

When designing floor plans and elevations for a residential project, developers are encouraged to consult with the Department of Grants and Community Investment and the Planning Division of the Community Development Department regarding the design, development, and size requirements that apply to inclusionary units.

A. Exterior Appearance

Inclusionary units must be architecturally consistent with their neighboring market-rate units in a residential project. Similar exterior design and quality of construction materials is required for all units, as the appearance of affordable units should be visually consistent with market-rate units.

While the inclusionary housing ordinance requires consistent exterior design for affordable units, interior items such as kitchen counters, floors, and appliances may vary from those provided in market-rate units. Interior upgrades may be purchased by individual buyers of inclusionary units and need not be furnished by the developer or counted within the affordable purchase price of the inclusionary unit.



Example of Consistency with Design and Development Standards for Inclusionary Units: Inclusionary units should appear visually consistent with market-rate units, with similar architectural features and construction materials as surrounding units. These neighborhood renderings provide an example of design consistency, as inclusionary units are mixed into the project through a consistent pattern of home designs and exterior construction materials.



B. Development Standards

The same development standards that apply to market-rate units (such as building setbacks, lot coverage, building height, etc.) also extend to inclusionary units. Under certain circumstances allowed by the ordinance and other City policies, incentives may be granted to a developer to allow for deviations from these standard requirements (see Section 1.3 of these guidelines).

C. Size

The inclusionary housing policy allows developers to construct inclusionary units that are smaller in interior living space than market-rate units, within the parameters outlined in the table on the following page:

Type of Unit	Minimum Size of Inclusionary Units	Examples
<p>Detached For-Sale Units</p>	<p>The lesser of:</p> <ul style="list-style-type: none"> • 1,300 square feet; or • 90% of the size of the smallest market-rate unit 	<p>Example 1:</p> <ul style="list-style-type: none"> • Smallest market rate unit = 1,400 sq. ft. • Inclusionary units must be at least 1,300 sq. ft. <p>Example 2:</p> <ul style="list-style-type: none"> • Smallest market rate unit = 1,200 sq. ft. • Inclusionary units must be at least 1,080 sq. ft. (90% of 1,200 sq. ft.)
<p>Attached For-Sale Units</p>	<p>The lesser of:</p> <ul style="list-style-type: none"> • 1,000 square feet; or • 90% of the size of the smallest market-rate unit 	<p>Example 1:</p> <ul style="list-style-type: none"> • Smallest market rate unit = 1,200 sq. ft. • Inclusionary units must be at least 1,000 sq. ft. <p>Example 2:</p> <ul style="list-style-type: none"> • Smallest market rate unit = 900 sq. ft. • Inclusionary units must be at least 810 sq. ft. (90% of 900 sq. ft.)
<p>Multifamily Rental Units</p>	<p>The lesser of:</p> <ul style="list-style-type: none"> • 750 square feet; or • 90% of the size of the smallest market-rate unit 	<p>Example 1:</p> <ul style="list-style-type: none"> • Smallest market rate unit = 900 sq. ft. • Inclusionary units must be at least 750 sq. ft. <p>Example 2:</p> <ul style="list-style-type: none"> • Smallest market rate unit = 700 sq. ft. • Inclusionary units must be at least 630 sq. ft. (90% of 700 sq. ft.)

1.2.7 *Incentives*

Developers of residential projects that meet or exceed the standard requirements of the ordinance may request a variety of incentives related to regulatory relief or financial assistance to their project. Any requests for incentives will be considered by the City on a project-by-project basis. Such requests should be made at the time of initial application for project land use entitlements (tentative map, site plan and design review, etc.). Requests for incentives will be evaluated based on the impact of the incentive to the feasibility of the project as well as the effect the incentive has on achieving the purposes of the inclusionary housing policy.

For example, the City may find that the incentive is necessary to allow for the feasible development of a project that provides a greater amount of affordable units than required by the ordinance. Incentives must be approved by City Council unless the authority to review and approve such incentives has been delegated to the City Manager. Examples of incentives related to regulatory relief and financial assistance are provided below, although this list is not necessarily limited to the following.

A. Density Bonuses

Developers may request a density bonus for residential projects that meet or exceed their required percentage of inclusionary housing on-site. This provision of the inclusionary housing policy allows projects that do not otherwise qualify for a density bonus under Chapter 17.48 of the Municipal Code (Affordable Housing Density Bonus) receive a density bonus of up to 25%. For projects that receive a density bonus under the inclusionary housing ordinance and do not meet the qualifying affordable project requirements of Chapter 17.48, the inclusionary housing obligation will be recalculated based on the total number of units in the project, including those added as a result of the density bonus. Examples of density bonus calculations are provided below:

Density Bonus Example 1—For-Sale Project:

Density	Total Units	Moderate-Income (10%)	Low-Income (5%)
Without Bonus	100	10	5
With 25% Bonus	125	12.5	6.25

Density Bonus Example 2—Rental Project:

Density	Total Units	Moderate-Income (5%)	Low-Income (5%)	Very Low-Income (5%)
Without Bonus	100	5	5	5
With 25% Bonus	125	6.25	6.25	6.25

B. Other Regulatory Relief Incentives

Several other types of regulatory relief incentives for residential projects may be requested by developers that comply with the requirements of the inclusionary housing policy. These requests are subject to review and evaluation by the Community Development Department and approval by the City Council (unless authority is delegated to the City Manager), including but not limited to the following examples:

- Reduced parking requirements from the standard associated with a residential zoning category.
- Priority processing of land use entitlement applications and building permits.
- Waiver or modification of specific development standards related to zoning and design regulations.
- Technical assistance from City staff in project development.

C. Financial Incentives

Under limited circumstances, the City may provide financial assistance to a project. This assistance is available only to the extent the City or Redevelopment Agency has financing resources to subsidize the development of affordable housing. Other affordability requirements usually are associated with the use of these types of funding sources, including deeper income targeting of affordable units, increased numbers of affordable units in the project, and other long-term affordability requirements. Developers interested in the possibility of pursuing affordable housing subsidies for their project should contact the Department of Grants and Community Investment in the pre-application stage of development to discuss the availability and applicability of these funding sources to the project.

D. Possible Alternatives to Standard Implementation Requirements

The City will consider certain alternative proposals from developers to meet the standard requirements of the inclusionary housing ordinance. Specific details regarding each possible alternative are contained in Section 15.40.080(B) of the inclusionary housing ordinance. The payment of In-lieu fees or the dedication of land by the developer as an alternative method of complying with inclusionary housing requirements is prohibited.

2. THE DEVELOPMENT PROCESS AND INCLUSIONARY HOUSING

2.1 Summary of the Development Process and Inclusionary Housing

This section provides guidance on how the satisfaction of inclusionary housing requirements ties into the land use entitlement and development process of a residential project. Implementation of the inclusionary housing requirements for a residential project is an integral part of the development process. A developer's satisfaction of these requirements is a condition of approval for land use entitlements such as final maps and use permits. For developers of projects that do not require a discretionary approval (i.e. Zoning Administrator, Planning Commission, or City Council approval is not required), inclusionary housing requirements must be satisfied prior to the issuance of a building permit.

Developers should consider and plan for how their project will satisfy inclusionary housing requirements beginning with the preliminary stages of the development process. In addition to the information provided in these guidelines, the Department of Grants and Community Investment is available to assist developers by answering questions and providing technical assistance regarding inclusionary requirements.

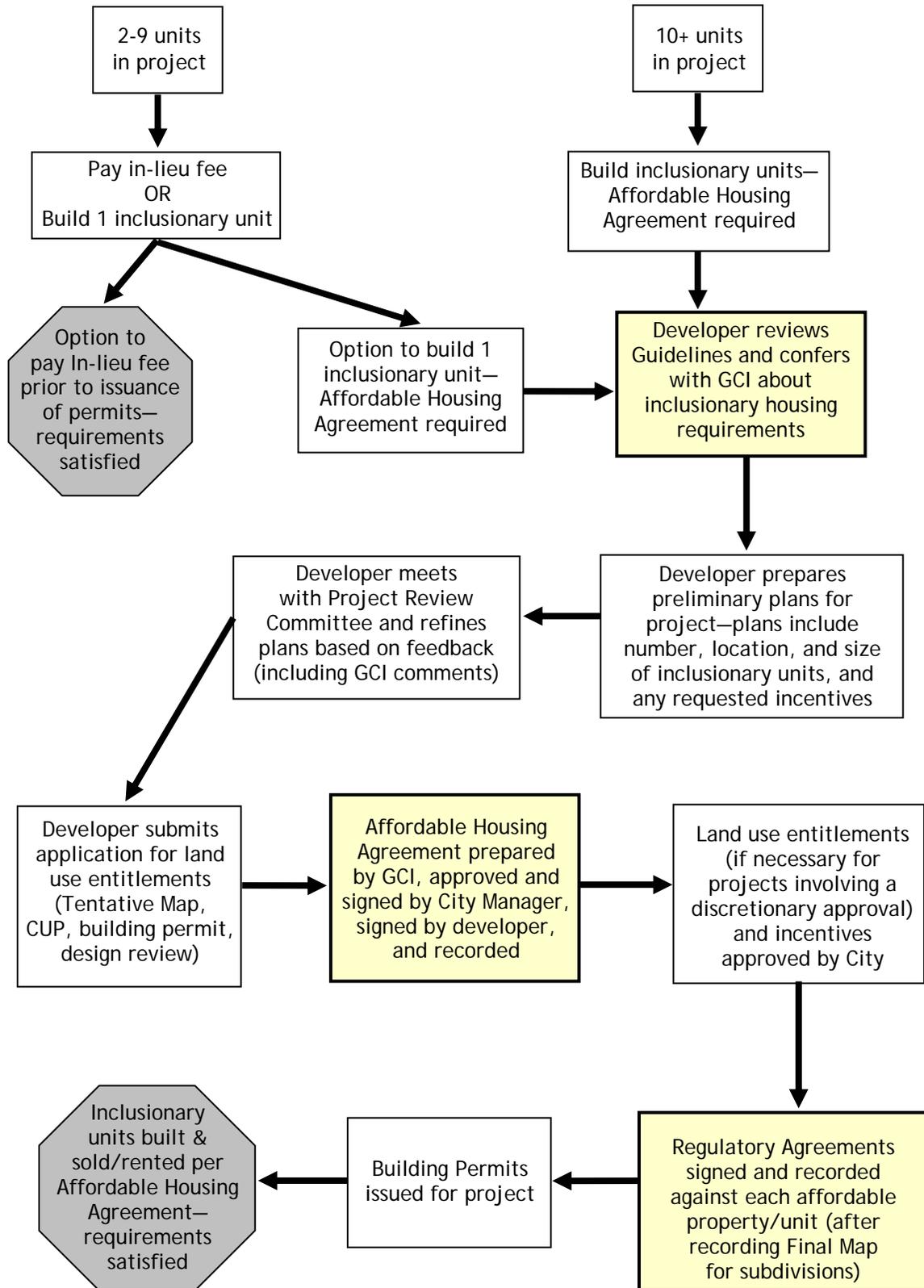
The inclusionary housing ordinance requires one of the following to be confirmed prior to a developer receiving land use entitlements or building permits for a project:

- a. An Affordable Housing Agreement has been completed and executed between the City and the developer of the project (information on Affordable Housing Agreements is provided in this section);
- b. The project consists of less than 10 units and the developer has elected to pay in-lieu fees rather than construct affordable units to satisfy the inclusionary housing obligation;
- c. The developer has requested and the City Council has determined that it is not feasible for the project to comply with the inclusionary housing requirements. A request for such a finding must be made by a developer, accompanied by substantial evidence of infeasibility, prior to submitting an application for any land use entitlement;
- d. The project is exempt from the ordinance per Section 15.40.040.

For projects of 10 or more units, or for projects of less than 10 units in which a developer elects to build inclusionary housing units rather than pay the fractional in-lieu fee, an Affordable Housing Agreement is required. This agreement contains the legal requirements of the residential project for compliance with the inclusionary housing ordinance, along with details on how the project will satisfy these requirements.

The flowchart on the following page provides a summary of the development process, with a focus on the timing of the Affordable Housing Agreement and other inclusionary housing requirements along with the role of the Department of Grants and Community Investment (GCI) during this process.

Inclusionary Housing Program—Development Process Flowchart



2.1.1 *Determining the Inclusionary Housing Requirements of a Project*

Before preparing preliminary site plans, tentative maps, floor plans, and other design elements of a residential project, a developer should read through Section 1 of these guidelines as well as the ordinance to determine the inclusionary housing requirements of the project. In reviewing these requirements along with how they will be satisfied and incorporated into the project plans and designs, the developer should consider several questions as demonstrated by the list below:

Item	Question	Answer	Section of Guidelines
Project Location	Is the project located within or outside of the Redevelopment Project Area?	Chapter 15.40 applies to projects outside of the Project Area; Chapter 15.10 applies to projects within the Project Area.	1.2.1 (B)
Applicability of Policy	Is the project required to include affordable units?	Projects of 10 or more units are required to build affordable units; projects of less than 10 units may pay an in-lieu fee.	1.2.1 (C)
Project Type & Affordability	Does the project consist of rental or for-sale units?	Use the affordability percentages applicable to the type of project.	1.2.2 (A)
Number of Affordable Units	How many total units in the project?	Apply the appropriate percentages to the total number of units to determine inclusionary obligations.	1.2.2 (A)-(B)
Affordable Prices and Rents	What are the maximum prices and rents for inclusionary units?	Affordable prices and rents are based on area median income levels, number of bedrooms, and other variables.	1.2.2 (C) (also see <i>Exhibits B, C, & D</i>)
Project Layout/ Location of Units	Where are the inclusionary units located in the project?	Inclusionary units must be dispersed throughout the project to avoid over-concentration.	1.2.4
Phasing of Construction	Is construction phased?	Inclusionary units should be located within each construction phase so that they are developed concurrently with market-rate units.	1.2.5
Unit Size	What are the sizes of inclusionary units?	Minimum size requirements apply to inclusionary units.	1.2.6
Exterior Design	Are inclusionary units visually consistent with market-rate units?	Inclusionary units must be visibly consistent with market-rate units; interior differences are permitted.	1.2.6
Incentives	Is the project eligible for any incentives or alternatives?	Consult with GCI regarding possible incentives or alternatives.	1.2.7

After reviewing these guidelines, a developer may confer with GCI regarding their plan for how inclusionary housing requirements will be met for the project. At this time, GCI staff will provide initial feedback to the developer along with technical assistance as requested. The developer would then prepare preliminary plans for the project based on this feedback (also taking into account any other initial comments and guidance from other City departments or public agencies not related to inclusionary housing requirements) in order to proceed with the next steps in the entitlement and development process.

2.1.2 *Development Application Review*

Most of the issues related to the inclusionary housing requirements of a project can be addressed at the pre-application and application stages of the development process. GCI staff is involved in the preliminary review of a project to ensure that requirements will be satisfied, thereby avoiding unnecessary delays in the development of the project later on in the process.

A. Project Review Committee

Prior to a developer's official submittal of an application, the Planning Division of the Community Development Department often hosts a meeting of its Project Review Committee (PRC) with the developer. At this meeting, feedback on the proposed project is provided to the developer from representatives of various City departments including Planning, Building, Engineering, Recycling, Parks and Recreation, Police, Fire, Redevelopment, and the Department of Grants and Community Investment.

Following the PRC meeting, written comments are provided to the developer by each department. Developers may then make changes to the preliminary plans of their project based on this feedback, including revisions made necessary due to inclusionary housing requirements.

B. Development Application Submittal and Review

When an application for land use entitlements (i.e. site plan for a rental or for-sale multifamily project, tentative subdivision map for a for-sale single-family subdivision) associated with a residential project is received by the City, GCI will review the application materials for compliance with the inclusionary housing ordinance. In order to facilitate this review process, the application materials should include the following:

- A table showing the total number of units in the project along with the required number of affordable units for each income level;
- The location of each affordable unit indicated on a tentative subdivision map or site plan;
- If construction will be phased, a construction phasing plan for the project;
- A description of any requested incentives or alternatives allowed by the inclusionary housing ordinance.

GCI will also review the floor plans and elevations of the proposed project for compliance with inclusionary housing requirements related to unit size and

exterior design. The following information should be included with design review materials:

- Floor plans indicating the number of bedrooms and the total square footage of living space in the inclusionary units;
- Elevations (exterior design renderings) of each home model or building in the project.

Once a developer's application for a residential project is deemed complete by the Planning Division, GCI and the developer will initiate the preparation of an Affordable Housing Agreement for the proposed project.

For projects of less than 10 units in which the developer has opted to pay the fractional in-lieu fee to satisfy the inclusionary housing requirements, GCI will calculate the in-lieu fee amount once the development application has been deemed complete. No Affordable Housing Agreement is necessary for the project, but the fractional in-lieu fee must be paid by the developer prior to the issuance of the first building permit for the project.

2.1.3 Affordable Housing Agreements and Project Development

An Affordable Housing Agreement is required for all residential projects in which inclusionary housing units will be built, regardless of the project size. For these projects, compliance with the requirements of the inclusionary housing ordinance is a condition of approval for land use entitlements associated with the project. The Affordable Housing Agreement serves as evidence of this compliance, detailing the inclusionary housing requirements of the project and creating a legal obligation for the developer to comply with the ordinance.

A. Conditional Approval of Land Use Entitlements

Generally the approval of site plan and design review or a use permit for a multifamily residential project will be conditioned to require the execution of an Affordable Housing Agreement prior to the issuance of the first building permit for the project. For a single-family residential project, approval of a tentative subdivision map will be conditioned to require an executed Affordable Housing Agreement before the approval of the first final map or building permit for the project.

B. Preparation and Execution of the Affordable Housing Agreement

Following the approval of land use entitlements associated with a residential project, an Affordable Housing Agreement is prepared by GCI staff and the City Attorney, approved and signed by the City Manager, and signed by the authorized representative of the developer. The Affordable Housing Agreement requires full compliance with the inclusionary housing ordinance for the developer, and includes the following details:

- Number of inclusionary units to be included in the project for each income level;
- Location of inclusionary units within the project;
- Size of inclusionary units within the project relative to the size of market-rate units;

- Calculation of affordable purchase prices and affordable rents for the project;
- Duration of affordability of the inclusionary units;
- In the case of projects containing rental units or areas or buildings under common ownership or control (i.e. condominiums and apartments), provisions designed to ensure that the project will be well managed and maintained throughout the term of the affordability controls. Prior to initial occupancy of the project, the developer must provide a management plan that addresses in detail issues such as maintenance of common areas and buildings (including the provision of adequate operating reserves), operations, and leasing practices. The management plan must be approved by the City and provide for City enforcement of its terms;
- Description of any approved incentives or alternatives requested by the developer related to the inclusionary housing units;
- Any other provisions required by the City to document the inclusionary housing obligations of the project.

C. Master Affordable Housing Agreements

For certain types of projects, a developer may request the City to prepare a Master Affordable Housing Agreement. This agreement will outline the general rules governing the development of the inclusionary units that are required by the overall residential project, as the overall project may result in the creation of several separate final subdivision maps or site plans. Since details such as the exact location of inclusionary units within the overall project may not be immediately available, project specific Affordable Housing Agreements would be prepared at a later appropriate date. These agreements would incorporate the terms originally set out in the Master Affordable Housing Agreement.

Note on Master Affordable Housing Agreements:
The types of projects that may be eligible for a Master Affordable Housing Agreement include, but are not limited to, the following:

- A residential project that will be developed in phases over an extended period of time;
- A large project containing a mixture of for-sale and rental units;
- A project developed as a result of an approved alternative to standard implementation of the inclusionary housing ordinance.

D. Memorandum of Affordable Housing Agreement

A memorandum of the Affordable Housing Agreement or Master Affordable Housing Agreement will be recorded against the entire property covered by the Agreement. For projects requiring a discretionary approval such as a final subdivision map or a conditional use permit, this memorandum must first be recorded before discretionary approvals are granted.

E. Recordation of Individual Regulatory Agreements

Following the approval of a final map and/or prior to the issuance of the first building permit for a residential project, Regulatory Agreements are required to be signed by the developer and recorded. For a rental project, a single Regulatory Agreement will be recorded against all parcels making up the residential project. This agreement details the developer's requirements to

provide affordable units at the required affordable rent levels throughout the affordability period, along with other requirements.

For projects involving the sale of individual units, Individual Regulatory Agreements will be recorded against each affordable property. These agreements outline the procedure for sale of inclusionary units by the developer, as well as the developer's required marketing efforts (see Section 2.1.4 of these guidelines for details regarding marketing and sales procedures for inclusionary units). Individual Regulatory Agreements also ensure the long-term affordability of inclusionary units by recording resale restrictions and owner-occupancy requirements on each inclusionary property. For the duration of the affordability period, the inclusionary units must be occupied by their owners and must be sold to a household of the same income group at the current affordable purchase price.

F. Issuance of Building Permits and Payment of In-Lieu Fees

Once Individual Regulatory Agreements for a residential project have been executed and recorded, the City may issue building permits to the developer to proceed with construction of the project. At the time of issuance of the first building permit for a project, the developer must pay any in-lieu fees.

G. Remedies for Non-Compliance

The City may determine that during the construction phase of development a developer becomes out of compliance with the Affordable Housing Agreement, the Individual Regulatory Agreements, or other terms of the inclusionary housing ordinance. Prior to taking administrative action to enforce these requirements, the City will contact the developer found to be out of compliance and attempt to resolve any outstanding issues. If necessary, enforcement actions may include holding building permits or certificates of occupancy for remaining units or buildings in a residential project determined to be out of compliance with the inclusionary housing requirements.

2.1.4 Marketing and Sales Procedures for Affordable Units

In a for-sale residential project, a developer's inclusionary housing obligations are ultimately satisfied when all of the affordable units in the project are sold in accordance with the Affordable Housing Agreement and Individual Regulatory Agreements. The process by which inclusionary units are required to be priced, marketed, and sold is outlined in this section.

Note on Marketing and Sales Procedures:
Developers of residential projects and their sales and marketing staff should meet with GCI staff to discuss the sales and escrow procedures of affordable units, marketing requirements, and first mortgage requirements prior to opening a sales office for the project. This will allow the sales and marketing staff of the project to ask questions, receive important information, and review forms to be used in the homebuyer qualification process.

A. Setting Affordable Purchase Prices

Affordable purchase prices are set by the City within 15 days after receiving notice from the developer that marketing for the project has commenced. The City will determine maximum affordable purchase prices using the procedure outlined in *Exhibit C* of these guidelines. GCI staff will

inform the developer of the maximum affordable purchase price along with the maximum allowed gross household income for a purchaser of the inclusionary units in the form of a spreadsheet showing the basis of the calculations.

B. Income Verification of Prospective Purchasers

Prior to the developer opening the sales office for a project containing inclusionary units, GCI staff will also provide the developer with an income verification and affordable housing program disclosure form that must be completed by all prospective purchasers of inclusionary units. The purposes of this form are to:

- Provide the City with the information needed to confirm that prospective purchasers of the inclusionary units are qualified under the income limits for the program;
- Ensure that prospective purchasers are aware of the resale restrictions and owner-occupancy requirements applicable to the inclusionary units.

This form may be handed out to prospective purchasers by the developer's sales and marketing staff. Prospective purchasers that qualify under the income limits for the program will receive a letter from the City confirming their eligibility to purchase an inclusionary unit. This letter is then "portable," as the prospective purchaser may provide a copy of the letter to multiple developers to be placed on interest or waiting lists for projects containing inclusionary units.

Note on Income Verifications:

Once a sales office for a residential project has opened to the public, developers and their sales staff should begin keeping an interest/wait list of qualified prospective purchasers *with income verification letters from the City* that have contacted or visited the sales office. This list should be maintained on a first come-first served basis, to be used in processing prospective purchasers for mortgage qualification and the eventual sale of inclusionary units.

C. Affirmative Marketing Requirements

Developers are required to put forth affirmative marketing efforts to prospective purchasers of inclusionary units. Generally, these efforts should include:

- Advertisements for the availability of inclusionary units in local newspapers;
- Providing notice of availability of inclusionary units to local housing organizations serving lower-income households;
- Placing a sign on the site advertising the availability of inclusionary units and providing contact information for the sales office. This information can be integrated into the primary advertising sign for the project;
- Maintaining for one year a list of names and contact information of all persons who inquired about purchasing an inclusionary unit, along with the reason(s) why those persons did not purchase the unit.

D. Acceptable Mortgage Products for Inclusionary Units

Affordable purchase prices are calculated by the City using a conventional 30-year fixed-rate mortgage assumption. Homebuyers of inclusionary units are expected to use a conventional mortgage of this type to purchase affordable homes, combined with a down payment. The City reserves the right to reject certain mortgage products due to the increased risk that some types of loans could result in the loss of the inclusionary unit from the affordable housing supply due to a foreclosure. Generally, adjustable rate and interest-only mortgages are not permitted to be used by homebuyers to purchase inclusionary units. On a case-by-case basis, the City will consider the use of certain non-conventional loan products depending on the initial interest rate, interest rate adjustments, interest rate adjustment caps, and lifetime interest rate caps.

E. Closing of Escrow and Sale of Inclusionary Units

Once a purchaser of an inclusionary unit has been selected and qualified for a mortgage, a package must be sent to GCI for review. This package will typically come from the first mortgage lender and should include the following documents:

- Homebuyer's loan application;
- Purchase contract for the inclusionary unit. Purchase contracts for inclusionary units should include an express provision making the sale contingent on the City's review;
- Estimated closing statement;
- Market value appraisal or comparable market-rate sale of the inclusionary unit. This appraisal will be used to establish the market-rate price of the inclusionary unit in determining the amount of the City's promissory note and equity share percentage.
- Other documents as requested needed to verify compliance of the sale with the Affordable Housing Agreement, the Individual Regulatory Agreement, and the inclusionary housing ordinance.

If a complete package is received by the City, the review of the proposed sale and preparation of the City's escrow package will take approximately 10 business days, if possible. If the information contained in the package is incomplete, the sale cannot proceed until all needed information regarding the proposed sale is provided to GCI.

The City's escrow package will include escrow instructions along with a "silent second" shared appreciation promissory note and deed of trust to be signed by the homebuyer of the inclusionary unit. The dollar amount and equity share percentage of the promissory note will represent the difference between the market value of the unit (as determined by appraisal) and the affordable price for which the inclusionary unit is actually sold. An additional disclosure statement will also be included in the City's escrow package. This disclosure will be accompanied by a copy of the Individual Regulatory Agreement recorded against the inclusionary unit, and must be signed by the homebuyer to further ensure that the buyer is aware of the resale restrictions and owner-occupancy requirements applicable to the inclusionary unit.

Exhibit A—Definitions

The following terms are used throughout these guidelines, defined as follows:

- A. "Affordable Housing Agreement" means the agreement between the developer of a residential project and the City detailing how a residential project's inclusionary requirements will be met.
- B. "Affordable Housing Cost" means an affordable housing cost determined in accordance with any local, state, or federal funding program actually used to finance development or construction of the Inclusionary Units within a particular residential project. If no such state or federal funding program is involved, or if the program does not specify how affordable housing cost is to be determined, "Affordable Housing Cost" shall not exceed the following:
 - 1. For very low-income households, the product of 30 percent of 50 percent of the area median income, adjusted for household size appropriate for the unit;
 - 2. For low-income households, the product of 30 percent of 80 percent of the area median income, adjusted for household size appropriate for the unit; and
 - 3. For moderate-income households, the product of 30 percent of 120 percent of the area median income, adjusted for household size appropriate for the unit; provided, however, that in the case of moderate income households with an income that equals or exceeds 110 percent of area median income, the City' may establish Affordable Housing Cost as up to 35 percent of actual household Income."Appropriate for the unit" means a household of one person in the case of a studio unit, two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit, four persons in the case of a three-bedroom unit, and five persons in the case of a four-bedroom unit.
- C. "Affordable Rent" means an affordable rent determined in accordance with any state or federal funding program actually used to finance development or construction of the inclusionary units within a particular residential project. If no such state or federal funding program is involved, or if the program does not specify how affordable rent is to be determined, "Affordable Rent" shall have the meaning as set forth in Health and Safety Code Section 50053, as that section may be amended from time to time.
- D. "Area Median Income" means area median income as published by the California Department of Housing and Community Development pursuant to Health and Safety Code Section 50093.
- E. "City" means the City of West Sacramento.
- F. "City Manager" means the City Manager of the City or the City Manager's designee.
- G. "Community Redevelopment Law" means Section 33000 et seq. of the California Health and Safety Code, as those sections may be amended from time to time.
- H. "Density Bonus" means an entitlement to build units in excess of the maximum number of units otherwise allowable under, or to exceed the

- maximum floor area ratio (FAR) otherwise specified in, the zoning regulations.
- I. "Density Bonus Units" means the additional units developed as part of a Residential Project because of a Density Bonus received pursuant to Chapter 17.48.
 - J. "Developer" means the owner of any real property upon which a residential project is to be constructed or the owner's duly authorized designee.
 - K. "Development Agreement" means an agreement between a developer and the City entered into pursuant to Government Code Section 65864 et seq. and in accordance with the procedures set forth in City Resolution 88-111, as they may be amended from time to time.
 - L. "Development Standards" means the standards governing development of real property within the City as set forth in the City's Municipal Code and any applicable regulations adopted pursuant thereto.
 - M. "Unit" has the meaning set forth in the City Zoning Regulations. For purposes of this Chapter, the term "Unit" does not include "secondary units" as defined in Chapter 17.41 of the West Sacramento Municipal Code.
 - N. "Feasible" means that even after complying with the requirements of the inclusionary housing policy, the residential project as a whole remains reasonably capable of being financed, built and marketed, given the economic conditions prevailing at the time of approval of the Affordable Housing Agreement and taking into account the incentives and alternatives that may be made available to the residential project. In all cases, feasibility shall be determined by the City Council in its sole discretion.
 - O. "Focus Area" means an area of the City designated by resolution of the City Council as an area in need of revitalization and new private investment.
 - P. "For-Sale Units" means attached or detached units developed as part of a residential project which the developer intends will be offered for individual sale or which are customarily offered for individual sale, including but not limited to single-family detached homes, duplex units, condominiums and cooperatives.
 - Q. "Household" has the same meaning as "family" as set forth in the Zoning Regulations.
 - R. "Housing Trust Fund" means a separate fund administered by the City into which in-lieu fees are deposited. Funds deposited into the Housing Trust Fund shall be used to assist in the development of affordable housing within the City.
 - S. "Inclusionary Units" means those units developed in accordance with an Affordable Housing Agreement to satisfy the requirements of the General Plan and the inclusionary housing policy, including for-sale inclusionary units available at an affordable housing cost, and multifamily rental inclusionary units available at an affordable rent.
 - T. "In-Lieu Fees" are fees paid by a developer in order to satisfy fractional inclusionary unit obligations pursuant to Section 15.40.050 of the inclusionary housing ordinance. The in-lieu fee calculation shall reflect the gap between the market price and the affordable housing cost for very low-, low-, or moderate-income households as appropriate to the residential project requirements. In-lieu fees shall be established by resolution of the City Council.

- U. "Lower Income" means lower income as defined in Health and Safety Code Section 50079.5 as amended from time to time.
- V. "Moderate Income" means moderate income as defined in Health and Safety Code Section 50093 as amended from time to time.
- W. "Multifamily Rental Units" means attached units developed as part of a residential project which the developer intends will be offered for lease or rent or which are customarily offered for lease or rent.
- X. "One Location" means all adjacent land within the City but outside of the Redevelopment Project Area owned or controlled by the same developer or owner, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road or other public or private right-of-way.
- Y. "Owner" includes the person, persons, corporation, or public or private entity having sufficient legal interest in real property to commence and maintain development of a residential project on the real property, or the owner's agent, assignee or successor in interest.
- Z. "Planning Commission" means the Planning Commission of the City established pursuant to state law and Chapter 2.20 of the municipal code of the City.
- AA. "Ordinance" means the Inclusionary Housing Ordinance of the City of West Sacramento.
- BB. "Redevelopment Project Area" or "Project Area" means that portion of the City located within Redevelopment Project No. 1 of the City of West Sacramento, as established by the City pursuant to Chapter No. 87-21, adopted May 20, 1987, and any addition to or deletion from the Project Area as the City may approve from time to time.
- CC. "Residential Lot" or "Lot" means any parcel of land that has been legally created with the intention that it will be used for the development of one or more units.
- DD. "Residential Project" means any project involving the construction of two or more units at one location and requiring the issuance of a building permit, or the creation of two or more residential lots at one location, including in the aggregate all units or residential lots for which building permits or discretionary approvals have been applied for from or granted by the City. Where all or a portion of the inclusionary units for a residential project are built off-site, the term "Residential Project" shall also include all residential units built at the off-site location(s), including all inclusionary units and market-rate units built as part of the same development.
- EE. "Specific Plan" means a specific plan of the City prepared and adopted in accordance with Government Code Sections 65450 et seq., as those sections may be amended from time to time.
- FF. "Very Low Income" means very low income as set forth in Health and Safety Code Section 50105, as that section may be amended from time to time.
- GG. "Zoning Regulations" means Title 17 of the Municipal Code of the City, as it may be amended from time to time.

Exhibit B—Yolo County/West Sacramento Income Limits

2005 INCOME LIMITS								
Income Level	Household Size							
	1	2	3	4	5	6	7	8
Very Low (50% of AMI)	\$21,150	\$24,200	\$27,200	\$30,250	\$32,650	\$35,050	\$37,500	\$39,900
Low (Rental) (60% of AMI)	\$25,380	\$29,010	\$32,640	\$36,270	\$39,180	\$42,060	\$44,970	47,880
Low (For-Sale) (80% of AMI)	\$33,900	\$38,700	\$43,550	\$48,400	\$52,250	\$56,150	\$60,000	\$63,900
Median (100% of AMI)	\$42,300	\$48,350	\$54,400	\$60,450	\$65,300	\$70,100	\$74,950	\$79,800
Moderate (Rental) (110% of AMI)	\$46,530	\$53,185	\$59,840	\$66,495	\$71,830	\$77,110	\$82,445	\$87,780
Moderate (For-Sale) (120% of AMI)	\$50,800	\$58,050	\$65,300	\$72,550	\$78,350	\$84,150	\$89,950	\$95,750

SOURCE: California Department of Housing and Community Development
AMI: Area Median Income

Exhibit C—Sample Affordable Purchase Price Calculations

Affordable Purchase Prices are calculated by the City through the procedure outlined below. For purposes of illustration only, the tables on the following page demonstrate sample Affordable Purchase Price calculations for 2, 3, and 4-bedroom inclusionary housing units based on different interest rate scenarios. Exhibit B provides the current Area Median Income limits for Yolo County that will be used in this calculation procedure.

Affordable Purchase Price Calculation Procedure

1. Determine the appropriate household size for the unit based on the number of bedrooms (3 persons for a 2-bedroom unit; 4 persons for a 3-bedroom unit; and 5 persons for a 4-bedroom unit).
2. Using the income limits for low and moderate-income households (80% of Area Median Income for low and 120% for moderate), calculate the monthly gross income for the household size by dividing the appropriate income limit by 12.
3. Multiply the monthly income (from Step 2) by 30% to determine the affordable housing cost for a low-income household and a moderate-income household.
4. Determine the maximum monthly mortgage payment by deducting the following assumptions from the monthly affordable housing cost:
 - a. Property tax payment based on the current Yolo County Assessor's property tax rate;
 - b. Homeowners' insurance payment at 0.5% of home value;
 - c. Primary mortgage insurance payment at 0.05% of home value;
 - d. Homeowners' association or lighting and landscaping district dues;
 - e. Other eligible housing costs such as Mello Roos fees, flood insurance, etc.
5. Calculate the maximum loan amount using the Freddie Mac 60-day posted yield for a 30-year fixed rate mortgage.
6. Add down payment amount assuming 5% of Affordable Purchase Price.
7. Maximum loan amount plus 5% down payment amount equals Affordable Purchase Price.

Sample Affordable Housing Cost Calculations

Assumptions	2-Bedroom Inclusionary Unit		3-Bedroom Inclusionary Unit		4-Bedroom Inclusionary Unit	
Household Size	3-person household		4-person household		5-person household	
Income Level	Low (80% AMI)	Moderate (120% AMI)	Low (80% AMI)	Moderate (120% AMI)	Low (80% AMI)	Moderate (120% AMI)
Monthly Income	\$3,629	\$5,442	\$4,033	\$6,046	\$4,354	\$6,529
% of Income for Housing Costs	30%					
\$ for Monthly Housing Costs	\$1,088	\$1,633	\$1,209	\$1,814	\$1,306	\$1,959
Housing Cost Deductions*	* Less property tax, homeowners' insurance, primary mortgage insurance, \$100 homeowners' association/lighting and landscaping district dues (used for estimation only), and other monthly housing costs.					
Maximum Monthly Mortgage Payment	Monthly Housing Costs - Housing Cost Deductions = Mortgage Payment					
Down Payment	5%					

NOTE: Calculations based on 2005 Yolo County Area Median Income limits.

Sample Affordable Purchase Price Calculations

Unit Type		Interest Rate					
		5.5%	6%	6.5%	7%	7.5%	8%
2-bedroom	Low	\$139,683	\$133,968	\$128,582	\$123,507	\$118,726	\$114,221
	Mod	\$216,593	\$207,732	\$199,380	\$191,511	\$184,097	\$177,111
3-bedroom	Low	\$156,790	\$150,375	\$144,329	\$138,633	\$133,266	\$128,209
	Mod	\$242,254	\$232,342	\$223,001	\$214,200	\$205,907	\$198,094
4-bedroom	Low	\$170,504	\$163,528	\$156,953	\$150,759	\$144,922	\$139,423
	Mod	\$262,824	\$252,071	\$241,937	\$232,388	\$223,392	\$214,915

NOTE: Calculations based on 2005 Yolo County Area Median Income limits.

Exhibit D—Sample Affordable Rent Calculations

Affordable Rents are calculated by the City through the procedure outlined below. For purposes of illustration only, the tables on the following page demonstrate sample Affordable Rent calculations for studio, 1, 2, and 3-bedroom inclusionary housing units. Exhibit B provides the current Area Median Income limits for Yolo County that will be used in this calculation procedure.

Affordable Rent Calculation Procedure

1. Determine the appropriate household size for the unit based on the number of bedrooms (1 person for a studio unit; 2 persons for a 1-bedroom unit; 3 persons for a 2-bedroom unit; and 4 persons for a 3-bedroom unit).
2. Using the income limits for very low, low, and moderate-income households (50% of Area Median Income for very low, 60% of Area Median Income for low, and 110% for moderate), calculate the monthly gross income for the household size by dividing the appropriate income limit by 12.
3. Multiply the monthly income (from Step 2) by 30% to determine the affordable housing cost for a very low, low, and moderate income household.
4. Deduct the utility allowance appropriate to the size of the unit from the monthly affordable housing cost based on the estimated monthly amounts for utilities that will be paid by the tenant (monthly utility allowances for each type and size of unit may be obtained from the Yolo County Housing Authority or submitted to the City by the developer on letterhead from the utility companies providing services to the project).
5. Affordable housing cost minus the utility allowance yields the maximum affordable rent for inclusionary housing units.

Sample Affordable Rent Calculations

Very Low-Income Unit

Assumptions	Unit Size			
	Studio	1-Bedroom	2-Bedroom	3-Bedroom
Household Size	1	2	3	4
50% AMI Annual Income	\$21,150	\$24,175	\$27,200	\$30,225
30% of Monthly Income for Housing Costs	\$528	\$604	\$680	\$755
Utility Allowance	\$60	\$70	\$80	\$100
Maximum Rent	\$468	\$534	\$600	\$655

NOTE: Calculations based on 2005 Yolo County Area Median Income limits.

Low-Income Unit

Assumptions	Unit Size			
	Studio	1-Bedroom	2-Bedroom	3-Bedroom
Household Size	1	2	3	4
60% AMI Annual Income	\$25,380	\$29,010	\$32,640	\$36,270
30% of Monthly Income for Housing Costs	\$635	\$725	\$816	\$907
Utility Allowance	\$60	\$70	\$80	\$100
Maximum Rent	\$575	\$655	\$736	\$807

NOTE: Calculations based on 2005 Yolo County Area Median Income limits.

Moderate-Income Unit

Assumptions	Unit Size			
	Studio	1-Bedroom	2-Bedroom	3-Bedroom
Household Size	1	2	3	4
110% AMI Annual Income	\$46,530	\$53,185	\$59,840	\$66,495
30% of Monthly Income for Housing Costs	\$1,163	\$1,329	\$1,496	\$1,662
Utility Allowance	\$60	\$70	\$80	\$100
Maximum Rent	\$1,103	\$1,259	\$1,416	\$1,562

NOTE: Calculations based on 2005 Yolo County Area Median Income limits.

Exhibit E—In-Lieu Fee Calculation Methodology (for Fractional Calculation Payments)

The inclusionary housing ordinance requires in-lieu fee calculations to reflect the gap between the market-rate price of a home and the affordable housing price of a low-income household. The amount and methodology of in-lieu fees will be established by resolution of the City Council. These guidelines will be updated to reflect the amount and methodology of in-lieu fee calculations.