



## Density Bonus Program

### Introduction

The Sonoma County Permit and Resource Management Department (PRMD) and the Sonoma County Community Development Commission (CDC) administer the County's density bonus ordinance. The program is available to developers of rental and for-sale multi-family affordable housing. Developer participation is voluntary.

This program will grant a developer a density at least 25% higher than permitted under the General Plan and zoning ordinance for a specific parcel of land. In return, the developer commits to developing and maintaining a portion of the units as affordable to very low and low-income households.

The developer and County will execute an affordable housing agreement. This agreement will specify the number and location of the affordable units in the development, the approved rents or sales prices, and the long-term affordability requirements. The County will record the agreement which will run with the land.

This brochure summarizes the main elements of the density bonus program for developers, lenders, realtors, residents and local officials who have an interest in developing affordable housing in the unincorporated areas of Sonoma County. Anyone contemplating developing affordable housing under the County's density bonus program should meet with staff from the PRMD and CDC to review the program's requirements in detail.

### I. Affordability Requirements:

The developer agrees to meet these requirements for the number of affordable units in a development:

- A. Affordable units:
  1. At least 20% of the **non-density bonus** units (including any existing units) are designated for low income households; or
  2. At least 10% of all **non-density bonus** units (including any existing units) are designated for very low income households; or

3. At least 50% of all **non-density bonus** units (including any existing units) are designated for senior citizens; and
- B. Units remain affordable for a minimum period of 30 years.

In addition to the units affordable to very low income and low income households, a developer may propose to develop housing which meets special housing needs as well as housing for disabled persons to qualify for additional incentives.

*Note:* Calculations resulting in a fraction are rounded up (e.g., 14.4 is rounded to 15).

### II. Incentives:

The Density Bonus Program provides the following incentives:

- A. A minimum 25% density increase over the otherwise maximum allowable density permitted under the zoning ordinance or General Plan; and,
  1. At least one of the following additional incentives:
    - a. A reduction of parking standards.
    - b. A 20% reduction of open space requirements.
    - c. A 20% reduction of minimum lot size requirements for all units
    - d. A 20% reduction of the minimum lot width for all units.
    - e. A reduction of setback requirements for all units.
  2. When funds are available, a short-term, deferred payment loan to pay the development impact fees for the very low and low-income units in a housing project where at least 49% of all units are designated for rent to very low or low-income households, or where at least 20% of all units are designated for sale to low-income buyers; the loan is due when permanent financing is recorded or the house sells.
  3. Consideration of other regulatory incentives that result in construction cost reductions.

B. In addition to the foregoing, the density bonus may be increased from 25% above the General Plan and zoning to a maximum of 50% if a developer agrees to build:

1. An additional 10% or more of the non-density bonus units for very low income households; or,
2. An additional 20% of the non-density bonus units for low income households; or,
3. An additional 30% of the non-density bonus units for low income senior households; or,
4. An additional 10% or more of the non-density bonus units for disabled households; or,
5. An additional 10% of the non-density bonus units with three or more bedrooms reserved for larger low-income households.

### III. Income Limits:

With the exception of disabled persons, participating households may not have annual incomes that exceed the limits established for very low income and low-income households, adjusted by household size. Based upon the county median incomes established by the U.S. Department of Housing and Urban Development (HUD), very low incomes do not exceed 50% of the county median income. Low incomes do not exceed 80% of the median incomes. The current income limits are shown on Attachment 1.

### IV. Rent Limits:

1. Very low-income: Monthly rent may not exceed one twelfth (1/12) of 30% of 50% of the annual median income, adjusted for the assumed household size.
2. Low-income: Monthly rent may not exceed one twelfth (1/12) of 30% of 60% of the annual median income, adjusted for the assumed household size.

Attachment 1 lists the current gross rent limits. These rents will be reduced by a utility allowance for estimated tenant-paid utilities (see Attachment 2).

### V. Purchase Price Limits:

Purchase prices for affordable for-sale units must be affordable to low and very low-income first-time homebuyers. Approved purchase prices are based upon available mortgage interest rates, estimated housing costs, down payment requirements and availability of

local mortgage subsidy programs such as "silent second" loans.

### EXHIBIT A DESCRIBES THE PROCESS FOR CALCULATING AFFORDABLE SALES PRICES.

*At the close of escrow on the initial sale of each affordable unit, the CDC will receive an administrative fee equal to 1/2 point of the affordable sales price.*

### VI. Procedures and Process:

#### A. Project Approval Process:

Developer has the option to submit a preliminary project application for PRMD review and comment. To obtain approval of a density bonus, a developer submits the appropriate application to:

Permit and Resource Management Dept.  
Planning Division  
County of Sonoma  
2550 Ventura Avenue  
Santa Rosa, CA 95403  
Telephone: 707/565-1900; Fax: 707/565-1103

The PRMD processes the developer's land use application and determines the number of density-bonus units for the project. When the evaluation is complete, the PRMD will schedule the project for Design Review Committee and, when required, for action by the Planning Commission and/or the Board of Supervisors.

Following approval of the required land use applications, the PRMD will prepare a statement of intent that describes the density increase granted to the developer, the number, phasing, and location of affordable units, and the developer's obligations concerning long-term affordability of the affordable units. Attachment 3 is a sample of a statement of intent.

The PRMD will forward to the CDC a copy of the statement of intent, the project approval, and the conditions of approval. At that time, the developer submits an Affordable Housing Agreement Application (Attachment 4) and the application fee to the CDC for preparation of the Affordable Housing Agreement.

The CDC will prepare the Affordable Housing Agreement using information from the developer's application, the statement of intent, and any project approval conditions that the County imposes, and will submit it to the developer for signature.

The developer must return the signed Agreement with a written opinion from the developer's attorney confirming the developer's authority to enter into the Agreement (see Attachment 5 for a sample opinion). The County Counsel will review the executed Agreement and the attorney's opinion to confirm that the documents are in order. The Commission will submit the Affordable Housing Agreement to the Board of Supervisors for approval.

The Commission will submit the Affordable Housing Agreement to the Board of Supervisors for approval. When a project involves the recording of a subdivision map the CDC and County will submit a joint report to the Board of Supervisors for concurrent approval of both the Agreement and the subdivision map. The County Surveyor will submit the Final Map and the Agreement to the Board for approval at a regular meeting when the developer has met all Final Map requirements.

Following Board approval of the Agreement, the CDC Executive Director will execute the Agreement and record it. The CDC must record the Agreement concurrently with a project's final map. The Agreement can subordinate to the developer's construction and permanent financing.

When the homes reserved for very low and low-income buyers are sold, the CDC will prepare "silent second loan" documents that the buyers will sign. These documents include a 30-year promissory note, rider to the deed of trust, and an option agreement. Other CDC documents related to a for-sale project include, but may not be limited to, an Overview of Secondary Financing and Addendum to Residential Purchase Agreement and Receipt of Deposit that buyers sign, and a release of the home from the Affordable Housing Agreement.

Attachment 6 is a flow chart that describes the affordable housing agreement approval process.

**These procedures are subject to change. Departure from the established procedures requires CDC approval.**

**B. Adjustments to Rent and Income Limits:**

The CDC sets rent increases annually using income limits that HUD issues for Sonoma County. Each year, the CDC will notify all participating developments of the changes as soon as they become available.

**C. Rental Project Monitoring Procedures:**

When a density bonus rental housing development becomes operational, the manager shall submit income verifications to the CDC for prospective tenants of the designated affordable units. At least annually, the owner will verify that the project is in compliance with the Agreement. Projects with 10 or fewer affordable units report annually in January for the previous year. Projects that include 11 or more affordable units report in July and January for each previous 6-month period. The CDC provides the reporting forms and will consider forms that the owner may wish to use.

Periodically, the Commission's program monitor will visit projects to verify tenant occupancy information. The monitor will review tenant files, ledgers and payment records for the restricted units, and may inspect vacant restricted units.

Annually, the owner of affordable rental units will pay a fee for each affordable unit to cover the cost of the CDC's program administration.

**D. For-Sale Project Resale Purchase Prices:**

Resale prices will equal fair market value. The option agreement grants the CDC the option to purchase the home from the seller at the time of re-sale. When the CDC exercises its option to purchase, the CDC will collect an administrative fee equal to 2% of the purchase price. If the CDC does not exercise its option, the seller will be free to sell the home on the open market. Any CDC "silent second" loan subsidy to the seller will be due upon sale of the home and no later than 30 years from the date of the initial sale of the home.

**EXHIBIT A**  
**Sonoma County Community Development Commission**  
**Density Bonus Program**  
**Calculation of Affordable Purchase Prices**

The CDC calculates maximum purchase prices under the density bonus program using the following approach:

1. Assume an interest rate for a fixed-rate, 30-year fully amortized mortgage.
2. Assume a 10% down payment.
3. Assign an assumed household size to each unit size. The assumption is that the number of persons in the household equals the number of bedrooms plus one. For example, one person will occupy a studio, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit, etc.
4. Calculate the maximum eligible annual income (very low, low or moderate income) for the assumed household size and divide the figure by 12 to obtain the monthly income.
5. Multiply the monthly income by thirty percent (30%) to establish the maximum monthly housing expense.
6. Subtract the cost of homeowners insurance, homeowner association dues (if any), property taxes and private mortgage insurance to arrive at an amount that could be available for monthly mortgage payments.
7. Derive a mortgage amount from these calculations and assumptions.