Sonoma County Housing Element
Type A and C Housing Opportunity Areas

Introduction

The 1992 Housing Element of the Sonoma County General Plan established two housing development opportunity classifications that offer significant density increases of up to 100% or more to encourage production of housing affordable to very low, low, and moderate-income households in the Type A and Type C Housing Opportunity Areas. In the Type A Housing Opportunity Areas, developers may build up to 30 units per acre with the available bonus increase. In the Type C Housing Opportunity Areas, the available density bonus will permit up to 11 units per acre. Developer participation in this program is voluntary.

In general, this program will reward a developer with a higher density than permitted under the General Plan and zoning ordinance for a specific parcel of land. In return, the developer agrees to develop and maintain a specified portion of the units as affordable to very low, low, and moderate-income households.

The developer and County will execute an affordable housing agreement. The 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 Sonoma County Housing Element Housing Opportunity Areas 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 this program should meet with staff from the County Permit and Resource Management Department (PRMD) and CDC to review the program's requirements in detail and the eligibility of a specific parcel for the program's incentives.

I. Definitions:

A. Type A Housing Opportunity Areas: Type A Housing Opportunity Areas include "Urban Residential 6-12 dwelling units per acre" areas depicted on the General Plan Land Use Maps and zoned R-2 (Medium Density Residential); and "Urban Residential 12-20 dwelling units per acre" areas depicted on the General Plan Land Use Maps and zoned R-3 (High Density Residential).

B. Type C Housing Opportunity Areas: Type C Housing Opportunity Areas include "Urban Residential 4-6 dwelling units per acre" areas depicted on the General Plan Land Use Maps and zoned R- I (Low Density Residential).

II. Type A Housing Opportunity Areas:

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

A. Affordability Requirements:

1. Minimum of 40% of all units (including any existing and the proposed units) in the project are designated for rent or sale to low or very low-income households.
2. Units affordable to low and very low-income households will remain affordable for a minimum period of 30 years.

B. Incentives:

The Type A Housing Opportunity Area provides the following incentives:

1. An increase in density 100% above the mapped designation, to a <u>maximum</u> of 24 units per acre for property located in the General Plan "Urban Residential 6-12 dwelling units per acre" areas and zoned R-2 and <u>up to</u> 30 units per acre for property located in the General Plan "Urban Residential 12-20 dwelling units per acre" areas and zoned R-3.
2. Modification of zoning regulations concerning building setbacks, maximum building height, parking and other design factors.

3. 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 home sells.

III. Type C Housing Opportunity Areas:

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

A. Affordability Requirements:

1. Minimum of 20% of all units (including any existing and the proposed units) in the project will be reserved for <u>rent or sale</u> to low or very low-income households and the remaining 80% of the units (including any existing and the proposed units) will be reserved <u>for sale</u> to low or moderate income households.

3. Units affordable to low and very low-income households will remain affordable for a <u>minimum</u> period of 30 years.

B. Incentives:

1. An increase in density up to a <u>maximum</u> of 11 units per acre.
2. The County offers other incentives similar to those available under the Type A Housing Opportunity Area program.

IV. Income Limits:

Participating households may not have annual incomes that exceed the limits established for very low, low, and moderate-income households in Sonoma County, adjusted by household size. Based upon the County median income 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 income. Moderate incomes do not exceed 120% of the median income. The current income limits are shown on Attachment 1.

Note: In general, rental housing built under this program should be affordable to very low and low-income households. Ownership housing should be affordable to low and moderate-income households.

V. Rent Limits:

A. 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.

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

VI. Purchase Prices:

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

VII. 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 Type A or C density increase project, a developer submits the appropriate application to:

Permit and Resource Management Dept.
Project Review Section
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 density increase for the project.

When evaluation is complete, the PRMD will schedule the project for a public hearing before the Design Review Committee, and when required, the Planning Commission and/or Board of Supervisors.

Following approval of the required land use applications, the PRMD will prepare a statement of intent for the developer's signature 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 signed 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, consistent with applicable laws and regulations, 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. When a project involves the recording of a final subdivision map the CDC and PRMD will submit a joint report to the Board for concurrent approval of the final map and the Agreement. The County Surveyor will submit the joint report to the Board 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.

The CDC will prepare "silent second loan" documents that the buyers will sign when the homes reserved for very low and lower-income households are sold. 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.

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 Type A or C 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.

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

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.