



# SONOMA COUNTY COMMUNITY DEVELOPMENT COMMISSION

## COUNTY FUND FOR HOUSING

### PROGRAM GUIDELINES

April 26, 2005

#### I. INTRODUCTION

##### A. Purpose and Overview

The County of Sonoma (County) and Sonoma County Community Development Commission (Commission) are pleased to announce the Program Guidelines and the availability of funding from Sonoma County's County Fund for Housing (CFH). The Commission will accept applications over-the-counter and will review them on a first-come, first-served basis, as funds are available. Applicants will complete the application form provided by the Commission. Through July 31, 2005, the CFH will reserve \$250,000 to lend to CFH-eligible projects that the Housing Trust of Sonoma County sponsors.

As of the approval date of these guidelines, the CFH account includes \$2.85 million of permanent and temporary funding. The \$2.1 million of permanent financing is composed of \$1.1 million of local County funds and a \$1 million matching grant from the state Department of Housing and Community Development's Local Housing Trust Fund (LHTF) program. The temporary funds include a \$750,000 HELP loan from the California Housing Finance Agency. Additional funds from these or other sources will be added to the CFH as they become available.

CFH loans may finance predevelopment, site acquisition, acquisition of existing housing, and construction costs of affordable rental and ownership housing located in the unincorporated areas of the County. Projects funded with CFH loans must comply with these Program Guidelines.

The CFH funds may be allocated as follows:

##### Rental Housing:

- Up to 100% of all CFH funds may be allocated to short-term loans to assist the development, rehabilitation, or preservation of affordable rental housing.
- Up to 75% of the permanent CFH funds may be allocated to long-term loans to assist the development, rehabilitation, or preservation of affordable rental housing.
- For purposes of the CFH Program, rental housing includes emergency shelter, transitional housing, group home and other types of congregate facilities that serve special needs populations identified in Section V.B.1. Unless otherwise stated in these Guidelines, for these types of facilities, a bed is considered as a rental unit.

Ownership Housing:

- Up to 25% of the total CFH funds may be allocated to short- or long-term loans to assist the development or preservation of affordable ownership housing.

Notes:

- See sections III.C. and D. for the meaning of the terms, “short-term loans” and “long-term loans”.
- Each CFH loan must comply with the requirements of the underlying funding source in addition to these Program Guidelines.
- At any given time, no more than 75% of the permanent CFH funds may be allocated to long-term loans for rental and ownership housing. Loans to the CFH are not considered permanent CFH funds.
- The County and Commission will comply with the requirements of all CFH funding sources when administering the CFH. Complying with those requirements may disqualify a project that might otherwise be eligible for funding or reduce the amount of funding for which a particular project is eligible.

Affordability Requirements:

- CFH-assisted rental units must be affordable to households with incomes up to 80% of median income for a period of 55 years.
- CFH-assisted ownership units must be affordable to households with incomes up to 120% of median income for a period of 30 years.

B. Authority

On April 26, 2005, the Board of Supervisors approved these guidelines. Any requests for exceptions to the Program Guidelines would require the approval of the Board of Supervisors.

II. ELIGIBLE EXPENSES

A. Predevelopment

The applicant may request funds to apply toward predevelopment expenses. Eligible expenses may include, but are not limited to, costs of state- and federally-mandated tenant and business relocation, architecture and engineering fees, soils testing and other environmental review costs, and project management expenses. The CFH funds are not available to pay for the applicant’s overhead and general costs of operation or site search costs. Costs initially paid with the applicant’s own or borrowed funds are eligible for reimbursement with CFH loan proceeds.

The applicant must possess site control or own the site at the time of application. The applicant may apply for reimbursement of predevelopment costs that the applicant can document were related to an affordable housing development on the site. Eligible costs may be reimbursed without regard to the date on which they were incurred.

## B. Site Acquisition

The applicant must possess site control or own the site at the time of application. The applicant may request funds to apply toward site acquisition costs such as purchase agreement deposits, option payments, other site control costs, the purchase price of the site, repayment of the loan(s) that originally financed the purchase of the site (i.e., take out financing), and other purchase costs such as buyer's share of closing costs (excluding operating costs such as liability insurance and prorated property taxes) as long as the purchase price does not exceed the appraised value of the land. Eligible costs may be reimbursed without regard to the date on which they were incurred.

## C. Construction

The applicant must possess site control or own the site at the time of application. The applicant may request funds to apply toward construction costs, including demolition, on- and off-site improvements, and construction of residential and non-commercial common structures. Certain soft costs are also eligible, including project management, development impact fees, and building permit fees. CFH loan proceeds may not be used to pay late or penalty fees or the applicant's overhead and general costs of operation.

# III. LOAN TERMS AND CONDITIONS

## A. Loan Amount

The CFH will provide low-interest loans to eligible projects. The minimum loan amount will be \$100,000. The maximum loan amount may not exceed 25% of the CFH fund balance calculated as funds on hand plus outstanding loans.

## B. Loan Terms

CFH loans will carry a 3% simple interest rate or a fixed interest rate determined by the Applicable Federal Rate as of the date of loan closing, for instruments of a term that most closely corresponds to the CFH loan term, as published monthly by the United States Internal Revenue Service, at the applicant's discretion. Repayment of the principal and interest will be deferred for the term of the loan.

## C. Short-Term Loans

Rental Housing: A short-term CFH loan that finances predevelopment or site acquisition costs for rental housing becomes due at the earlier of the closing date of the permanent loan or four years from the date of the CFH loan closing. A short-term CFH loan that finances construction costs for rental housing becomes due at the earlier of the closing date of the permanent loan or eighteen months from the date of the CFH loan closing. If an extension is requested, the Commission may extend the

due date by up to six months upon receipt of a written and reasonable explanation from the applicant and the applicant's payment of an extension fee as defined below.

**Ownership Housing:** A short-term CFH loan that finances development of ownership housing will become due at the earlier of four years from the date of the CFH loan closing or the sale of each CFH-assisted unit to an eligible buyer. When the developer repays the CFH loan as the developer sells the units, the developer shall repay to the CFH an amount equal to the pro-rata share of the principal amount of the CFH loan attributable to the unit being sold, plus accrued interest. In the same escrow in which an eligible buyer purchases a CFH-assisted affordable unit, the Commission shall record an option agreement granting the Commission the first right to purchase the unit at resale for up to thirty (30) years, and shall release the unit from the Affordable Housing Agreement that the Commission will have recorded upon the recording of the CFH loan to the developer.

#### D. Long-Term Loans

**Rental Housing:** A long-term CFH loan that finances any eligible activity to assist rental housing normally becomes due thirty years from the date of the CFH loan closing, but may be extended to conform to the terms of other funding sources.

**Ownership Housing:** Except as provided in section VI.B., a long-term CFH loan that finances development of affordable ownership housing will convert to deferred payment subordinate loans from the Commission to eligible buyers of the affordable units that are subject to these Program Guidelines. The Commission shall comply with the requirements of the "Sonoma County Affordable Housing Program Homeownership Policies" (Homeownership Policies) when making the deferred payment subordinate loans to both the initial buyers and the subsequent buyers of the affordable units at resale. The CFH deferred payment subordinate loan to an eligible buyer shall become due and payable in accordance with the provisions of the Homeownership Policies and the promissory note in evidence of the CFH loan. In the same escrow in which an eligible buyer purchases a CFH-assisted affordable unit, the Commission shall record an option agreement granting the Commission the first right to purchase the unit at resale for up to thirty (30) years, and shall release the unit from the Affordable Housing Agreement that the Commission will have recorded upon the recording of the CFH loan to the developer.

#### E. Proceeds from CFH Deferred Payment Subordinate Loans

Proceeds from the repayment of CFH deferred payment subordinate loans to eligible buyers of ownership units shall be deposited in the CFH and may be made available to provide financing for deferred payment subordinate CFH loans to future buyers of the units originally assisted with CFH funds. If not needed for this purpose, loan repayment proceeds may be used for any purpose eligible under these Guidelines.

## F. Fees

Upon recording a short- or long-term CFH loan to a developer for rental or ownership housing, the Commission will receive an initial loan fee equal to 1% of the principal loan amount. If the Commission approves a developer's written request to subordinate, modify, assign or extend the term of the CFH loan, the Commission will receive from the developer a fee equal to 0.5% of the original principal loan amount of the loan when the requested action is completed.

Ownership Housing: Upon the close of escrow for the initial sale of each affordable unit subject to the requirements of the CFH Program Guidelines, the Commission shall receive from the escrow an administrative fee of \$100 when it makes no CFH-financed deferred permanent subordinate loan to the buyer; when the Commission makes a CFH-financed deferred payment subordinate loan to the initial homebuyer, the Commission shall receive from the escrow an administrative fee of \$200. When the Commission exercises its option to purchase a CFH-assisted ownership unit at resale, the Commission will receive from the seller an administrative fee equal to a percentage of the affordable sales price; as determined from time to time by the Sonoma County Board of Supervisors; as of January 1, 2005, the percentage is three percent (3.00%).

## G. Loan Security

Seniority: Unless the Board of Supervisors approves an exception, the CFH loan and the CFH Affordable Housing Agreement will be senior to all loans of lesser principal amounts. A long-term CFH loan to a homebuyer also will be senior to a County or Commission loan to the buyer that recaptures the unit's share of the value of a County density bonus or other incentives.

Loan Security:

- Short-term CFH loans: The sum of the principal amount of the CFH loan and other loans and financial liens senior to the CFH loan may not exceed one hundred fifty percent (150%) of the "as is" appraised value of the property.
- Long-term CFH loans: When a long-term CFH loan finances predevelopment expenses or site acquisition costs, a site appraisal must demonstrate that the appraised value of the site will fully secure the CFH loan. When a long-term CFH loan finances construction, the projected appraised value of the completed project must demonstrate that the value of the completed project will fully secure the CFH loan.
- The value of the unit must secure fully the principal amount of a long-term CFH loan to a buyer of a CFH-assisted ownership unit. When the buyer borrows funds to pay any portion of the buyer's closing costs, the CFH loan can be unsecured by the value of the unit in an amount not exceeding the amount of the funds borrowed to pay the buyer's closing costs.

- Unsecured Recourse Loans:  
If the borrower does not hold title to the site when the CFH loan receives the Board's approval, the Board of Supervisors can approve disbursement of up to \$100,000 of the approved CFH loan amount as an unsecured recourse loan until the Commission is able to secure the entire CFH loan against the property. The Commission will submit unsecured CFH loan requests to the Board of Supervisors only for credible, established applicants as the CDC determines according to the following criteria:
  1. The developer must demonstrate an established history as a lead developer of comparable projects as follows:
    - a. A five-year history as lead entity in development of a comparable housing type;
    - b. At least one complete development and a construction loan closing for at least one other development; and
    - c. Possession of all licenses necessary to conduct business in Sonoma County.
  2. The developer also must demonstrate creditworthiness as evidenced by a credit rating obtained by and acceptable to the Commission and by submitting references from at least two lenders and at least one jurisdiction with which the developer has worked in the past five years.

The Commission will award not more than one unsecured recourse CFH loan to a particular borrower at any given time.

When the Commission initially lends the CFH funds to the applicant as an unsecured recourse loan, the applicant must obtain title to the property within six months of the date on which the Commission disburses any portion of the CFH loan funds to the applicant. If the applicant is unable to secure title to the site or fails to cooperate with the Commission to secure the loan against the site upon acquisition, the unsecured CFH loan proceeds disbursed will become due and payable in their entirety.

When the borrower acquires the project site or if the applicant possesses title at the time of loan approval, the applicant will cooperate with the Commission to secure the CFH loan against the property. After the deed of trust securing the CFH loan is recorded, the Executive Director may permit the original borrower to assign the CFH loan to a limited partnership or other entity, following review of the proposed action and consultation with County Counsel, subject to the payment of an assignment fee, as described in section III.F, above.

Alternative to Unsecured Recourse Loan: If the borrower does not hold title to the site when the Board of Supervisors approves a CFH loan, the Board, at its sole discretion, may approve a loan secured against other real property owned by the borrower.

- **Deferred Payment Subordinate Loans:** When a homebuyer obtains a CFH deferred payment subordinate loan to assist with the financing of the purchase of a unit, the Commission will record a deed of trust to secure the loan against the property. The fair market value of the unit at the time of sale of the unit must fully secure the CFH loan, and the Commission shall approve a recorded seniority for the CFH loan's deed of trust that assures its full security against the property. The total debt recorded against a CFH-assisted unit may not exceed the sum of the fair market value of the unit and the buyer's closing costs. When the homebuyer borrows funds to pay any portion of the buyer's closing costs, the CFH loan can be unsecured by the value of the unit in an amount not exceeding the amount of the funds borrowed to pay the buyer's closing costs.
- **Option Agreements and Partial Reconveyance:** In the same escrow in which an eligible buyer purchases a CFH-assisted affordable unit, the Commission shall record an option agreement granting the Commission the first right to purchase the unit at resale. At the initial sale of a CFH-assisted affordable unit, the Commission shall release the unit from the Affordable Housing Agreement that the Commission will have recorded upon the recording of the CFH loan to the developer.

#### IV. AFFORDABILITY REQUIREMENTS

##### A. Affordability Term

All assisted units in rental developments must remain affordable for a minimum of fifty-five (55) years.

The minimum affordability term for assisted units in ownership developments is thirty (30) years. The affordability period may be longer if specified by the guidelines of other federal, state, or local program(s) that assist the development.

##### B. Affordability Requirements: Rental Units

1. **Income Limits:** CFH-assisted rental units must be restricted to households at or below 80% of the median area income (MAI) for Sonoma County as published annually by the United States Department of Housing and Urban Development (HUD).
2. **Percentage of Affordable Units**
  - a. **LHTF-financed CFH Loans:** During the term of the State Local Housing Trust Fund (LHTF) Program grant agreement, which runs until May 1, 2009, the following minimum requirements shall apply to each development assisted with an LHTF-financed CFH loan:
    - CFH loans may only assist those units in a development that are affordable to households at or below 60% of MAI, adjusted for household size; **and**

- At least 30% of all units in an assisted development shall be affordable to households at or below 30% of MAI, adjusted for household size; **and either:**
  - 1) The project must be at risk of converting to market rate; **or**
  - 2) 30% of all units in the development must have 3 or more bedrooms or be reserved for special needs households.

**NOTE: LHTF-financed CFH loans may assist rental developments only.**

- b. Projects assisted with CFH loans not financed with LHTF funds must meet all of the following minimum affordability requirements:
  - At least 30% of all CFH-assisted units must be restricted and affordable to households at or below 30% of MAI, adjusted for household size.
  - 100% of all CFH-assisted units must be restricted and affordable to households at or below 80% of MAI, adjusted for household size.

For example, to meet the minimum affordability requirements of the CFH program, a rental development containing 10 CFH-assisted units would have the following affordability profile:

- 30% or 3 of the assisted units restricted and affordable to households at or below 30% MAI, adjusted for household size; and
- 70% or 7 of the assisted units restricted and affordable to households at or below 80% MAI, adjusted for household size.

### 3. Affordability and Physical Distribution of the Rental Units

The Commission must approve the affordability mix of the development. Initially, the CFH-assisted units should be distributed by unit size and income affordability throughout the development and, over the period of affordability, avoid concentrating assisted units of similar affordability together.

### 4. Rent Limit Calculation

The Commission will adhere to the following procedures to calculate the maximum tenant-paid rent for CFH-assisted units:

- a. Assume a household size for the unit equal to the number of bedrooms plus one (e.g., a two-person household size for a one-bedroom unit).
- b. Obtain from the income limits for Sonoma County that the U.S. Department of Housing and Urban Development (HUD) publishes annually the applicable income limit for the household size and then multiply the income limit by 30%.

(Note: for purposes of calculating rent limits for units reserved for tenants with incomes at or below 80% MAI, use the 60% income limit.)

- c. Divide the product by 12 to obtain the gross monthly rent limit.
- d. Deduct the appropriate utility allowance from the gross rent limit to determine the maximum tenant-paid rent.
- e. If a tenant is receiving Section 8 rental assistance, the tenant's share of the total rent may not exceed the figure obtained by deducting the utility allowance from the gross monthly rent limit.

Note: The monthly gross rents for units shall not exceed the lesser of the "reasonable rents" that the Sonoma County Housing Authority establishes for the area in which the assisted development is located or the fair market rents that HUD issues annually for Sonoma County. Annually, the Commission Director or designee shall determine the maximum rent for units located in CFH-assisted developments and shall provide those rents to the developer.

### C. Affordability Requirements: For-Sale Units

1. Income Limits: CFH-assisted ownership units must be reserved for and sold to households at or below 120% of the median area income (MAI) for Sonoma County as published annually by the State Department of Housing and Community Development (HCD). Further, at least 20% of all CFH-assisted ownership units must be restricted and affordable to households at or below 80% of MAI, adjusted for household size.

For example, to meet the minimum affordability requirements of the CFH program, an ownership development containing 10 CFH-assisted units would have the following affordability profile:

- 20% or 2 of the assisted units restricted and affordable to households at or below 80% MAI, adjusted for household size.
- 80% or 8 of the assisted units restricted and affordable to households at or below 120% MAI, adjusted for household size.

**NOTE: LHTF-funded CFH loans may not assist ownership housing.**

### 2. Affordable Sales Price Calculation - Initial Sales

The Commission shall calculate the affordable sales prices of CFH-assisted homeownership units in a manner that complies with the Sonoma County Affordable Housing Program Homeownership Policies.

### 3. Affordable Sales Price Calculation – Resales

The Commission shall calculate the affordable resale prices of CFH-assisted homeownership units in a manner that complies with the Sonoma County Affordable Housing Program Homeownership Policies.

#### D. Affordable Housing Agreement – Rental and Ownership Developments

Concurrently with recording of the CFH loan deed of trust for a CFH loan to a developer, the Commission will record an Affordable Housing Agreement (AHA) with the developer. The AHA will memorialize the affordability and other requirements that attach to the CFH loan and will run with the land.

For ownership developments, the Commission will record the CFH AHA against only the CFH-assisted units. As each CFH-assisted unit is sold to the initial buyer, the Commission will record an option agreement with the buyer granting the Commission the first option to purchase the unit at resale for thirty (30) years, and release the unit from the CFH AHA.

- E. Where the Commission's Executive Director determines, after consultation with County Counsel, that one or more federal, state, and/or local financing programs available to a project will achieve results that are equivalent to, or more effective than the affordability, financing or special needs requirements of these Guidelines, and that such financing programs otherwise comply with applicable federal, state and local laws, the Executive Director may authorize the relevant provisions of those programs to replace/supersede the corresponding requirements of these policies for a particular development.

## V. PROJECT EVALUATION

### A. Guiding Principles

All projects will be evaluated on how well they satisfy the Guiding Principles that the Board adopted on August 13, 2002:

1. Highest priority should be accorded to activities that have the greatest potential to achieve the Quantified Objectives identified in the Housing Element.
2. Special emphasis should be given to increasing the supply of rental housing for low- and very low-income households and maintaining the long-term affordability of these units.
3. Programs and projects that meet special housing needs should be given a high priority.
4. The County should seek to leverage its limited financial resources with other available funding consistent with these policy guidelines and in ways that will help implement the County's policies and programs.

## B. Priorities

The CFH Program includes the following priorities:

1. At least 75% of all funds will be allocated to affordable rental projects at risk of becoming market rate housing, serving families, or serving the special needs populations identified in the Housing Element: elderly, disabled, large families, single-parent households, farmworkers, and homeless persons.
2. Priority will be given to projects building at the maximum density permitted under the Sonoma County General Plan, Zoning Ordinance, and other relevant regulations.
3. Through July 31, 2005, the CFH will set aside \$250,000 for Sonoma County Housing Coalition Trust Fund projects that meet the County eligibility requirements and priorities.

## C. Timelines

### 1. Draw Schedule

- Each project should reasonably expect to draw down CFH loan proceeds approved to pay for eligible predevelopment expenses within nine (9) months of the date of the CFH loan approval.
- Each project should reasonably expect to draw down CFH loan proceeds approved for eligible site acquisition costs within twelve (12) months of the date of the CFH loan approval.
- Each project should reasonably expect to draw down CFH loan proceeds approved for eligible construction costs within eighteen (18) months of the date of the CFH loan approval.

For each CFH loan, the applicant shall submit a schedule and other information that the Commission may reasonably request supporting the applicant's ability to draw down the CFH loan proceeds on the applicable schedule specified above.

### 2. Project Schedule

The applicant's project schedule also shall comply with the following additional timelines:

- Applicants applying for predevelopment funding should expect to begin construction on the project within 30 months;
- Applicants applying for site acquisition funding should expect to begin construction on the project within 24 months; and
- Applicants applying for construction funding should expect to begin construction on the project within 6 months of receipt of loan approval.

For each CFH loan, the applicant shall submit a schedule and other information that the Commission may reasonably request supporting the applicant's ability to comply with the applicable construction schedules specified above.

The applicant shall submit a project schedule for the Commission's review and acceptance that includes a proposed schedule for closing the CFH loan and drawing down the CFH funds.

## VI. LOAN APPROVAL PROCESS

### A. Loan Approval

Once the Commission receives the applicant's complete application with the required attachments, the Commission will complete the approval process within 90 days, including Board review and approval of the CFH loan and Affordable Housing Agreement to memorialize the affordability requirements attaching to the loan. A pre-approval process will be available to applicants who intend to seek unsecured recourse loans.

### B. Loan Closing and Disbursement of Funds

Loans to Developers: The Commission and borrower will close escrow on the CFH Affordable Housing Agreement and the CFH loan in the same escrow and in that order.

Upon receipt of satisfactory documentation from the applicant, the Commission will disburse CFH loan proceeds either to pay for or to reimburse the applicant for predevelopment and site acquisition costs. For construction costs, the Commission will disburse CFH loan proceeds for construction progress payments that the applicant's appointed representative has approved as an accurate statement of work completed.

Long-Term Deferred Payment Subordinate CFH Loan for an Ownership Development – Initial Sales: A long-term CFH loan to the developer of affordable ownership housing will convert to deferred payment subordinate loans to the eligible buyers of the CFH-assisted homes in the developer's development. When the developer desires to close escrow on the initial sale of each CFH-assisted ownership housing unit, the Commission will convert the portion of the CFH loan attributable to the unit to a loan to the eligible buyer. The CFH loan will be a deferred payment subordinate loan that either finances the difference between the affordable sales price and fair market value of the unit or a portion of the affordable sales price of the unit. At the time of initial sale of a CFH-assisted unit to an eligible buyer, the developer shall repay to the CFH any portion of the developer's CFH loan not required for a deferred payment subordinate CFH loan to make the unit affordable to the eligible buyer. At the close of escrow on the initial sale of the CFH-assisted ownership unit, the Commission will record an option agreement granting the Commission the first right to purchase the home at resale.

Deferred Payment Subordinate CFH Loans - Resales: When the Commission exercises its option to purchase a CFH-assisted unit at resale, the Commission may provide the new buyer a CFH-funded subordinate loan to finance the difference between the purchase price (fair market value) of the unit and the amount of the purchase price that the buyer is able to finance with a first mortgage, downpayment

and any other subordinate financing for which the buyer has qualified. The Commission also may use funds from repaid CFH-funded deferred payment subordinate loans to assist eligible buyers of any units in a CFH-assisted ownership development. At the close of escrow on the resale of the CFH-assisted ownership unit, the Commission will record an option agreement granting the Commission the first right to purchase the home at resale.

## VII. COMPLIANCE MONITORING

### A. Rental Housing

If a CFH-assisted development is subject to monitoring by another agency, such as the California Tax Credit Allocation Committee, the California Housing Finance Agency, the U.S. Department of Housing and Urban Development, and other federal, state or local public agencies, and the other agency's affordability requirements are the same or more restrictive than the CFH affordability requirements, the borrower may be able to reduce or avoid paying CFH monitoring fees. Annually, during the term of the affordability period, the borrower will submit evidence of the other agency's affordability requirements and the development's compliance with those requirements. The submitted documentation must be sufficiently detailed for the Commission to confirm whether the CFH-assisted development or units are in compliance with the CFH affordability requirements.

For all CFH units not subject to the same or more restrictive requirements, or if evidence of another agency's monitoring is not submitted by the date due to the Commission or is not sufficient for the Commission to monitor compliance with CFH Program affordability requirements, the Commission shall charge the borrower an annual monitoring fee of \$25 per monitored unit, or \$100 per monitored emergency shelter, transitional housing, group home or other congregate special needs facility. The developer shall submit annual compliance reports and tenant rosters on forms that the Commission shall provide. The annual compliance report that the borrower submits to the Commission will include a tenant roster listing household size, income and rent for each tenant in a CFH-assisted unit. The Commission shall review reports for compliance with the CFH Program requirements, shall require the developer to correct violations of those requirements, and may request additional documentation from the borrower, as the situation dictates.

The Commission may conduct periodic site visits to CFH-assisted developments. During the visits, Commission representatives may interview the resident manager, review a sample of the on-site tenant files, inspect a sample of the units of varying size and affordability, and tour the common areas and grounds of the development. The Commission will prepare a written report of each site visit.

## B. Ownership Housing

Prior to the initial sale of a CFH-assisted ownership unit, the Commission will approve the income-eligibility and first-time homebuyer status of the purchaser and the affordable sales price and fair market value of the unit.

When the Commission exercises its option to purchase a CFH-assisted ownership unit at resale, the Commission will approve the income-eligibility and first-time homebuyer status of the new buyer.

The Commission may contract with a third-party contractor to perform these functions.

## C. Staff Reporting

Commission staff will submit to the Board of Supervisors an annual progress report on the CFH. The report will include a narrative report of the activities that the CFH undertook during the previous calendar year, the funds the CFH disbursed during that year, funds available in the CFH at the close of the year, and the developments and units assisted during the year. The Commission will submit the report for each calendar year to the Board by January 31 of the following year.

### **NOTES:**

**In the future, the CFH may receive financial support from non-County resources that may impose requirements other than those listed above. When the CFH disburses those non-County funds to assist a development, the more restrictive requirements shall prevail.**

**Each applicant for a CFH loan should contact the other lenders to the applicant's project to confirm whether the applicant's project will remain eligible for the financing from those other sources in the event that the CFH program makes a LHTF-financed loan to the project.**

**Exceptions to these Guidelines will require the approval of the Board of Supervisors.**