City of Santa Barbara

AFFORDABLE HOUSING POLICIES & PROCEDURES

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Community Development Department
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THE CITY OF SANTA BARBARA

AFFORDABLE HOUSING POLICIES AND PROCEDURES
(Owner Occupied, Rental and Rehabilitation/Preservation)

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EXECUTIVE SUMMARY

The City of Santa Barbara (City) has actively promoted the creation and preservation of affordable housing in the City since 1970. With the incorporation of many housing programs, the City is considered to be a leader in promoting affordable housing.

This manual sets forth the City's affordable housing policies and procedures as adopted by the Santa Barbara City Council. In furtherance of the City's goal of encouraging the development and preservation of housing that is affordable to a wide range of targeted households, the City's discretionary bodies and staff implement these policies and procedures. This manual includes detailed descriptions of the formulas for setting maximum rents and sale prices, for determining affordability requirements for rehabilitated projects, and for providing inclusionary units or receiving density bonuses. The target readership includes Housing Programs staff, Planning Commissioners, City Councilmembers, Planning Division staff, and housing developers and providers. For more information about these policies and procedures, please contact Housing Programs staff.

I. INTRODUCTION

Santa Barbara residents enjoy a beautiful environment bordered by mountains and seashore, clean air and temperate climate, and a charming ambiance. However, this jewel of a City exacts a high price from those who live here. Housing costs are among the highest in the nation.

Housing costs can be a problem that affects the average resident of this City. Because the high cost of housing has reached a level where Moderate- and Middle-Income residents are affected, there are immediate as well as long-term effects. Low-Income elderly on fixed incomes, Low-Income single parent households on public assistance, and Low-Income persons such as the disabled with special housing needs often have no choice but to live in overcrowded and substandard situations on a budget that is so stretched that basic food and clothing necessities may be foregone. Because of the tight housing market, landlords can choose "preferable" tenants and, therefore, not rent to families with children or to those requiring modifications in the unit for handicapped accessibility. Further, the City faces a situation in which households of all income groups are leaving Santa Barbara. Young families in particular are leaving the area. Skilled workers leave for communities with reasonable housing costs and higher paying jobs. If housing costs continue to rise beyond the means of many residents, the character of Santa Barbara, which provides for a variety of social and economic groups, will be seriously threatened.

The City Council has made a commitment to address the City's housing problems to the extent feasible by implementing the policies and strategies of the Housing Element of the General Plan, which is the City's housing policy document that sets forth the City's action plan to meet the housing needs of the community. One of the central goals identified in the Housing Element is the availability of affordable housing for all social and economic segments of the community.

II. THE CITY'S AFFORDABLE HOUSING PROGRAMS

The City has implemented a comprehensive program to encourage the preservation or construction of affordable housing as shown in its affordable housing inventory (Appendix A). Santa Barbara's housing program consists of several funding sources and mechanisms to increase the City's affordable housing supply, including providing financial and/or land use incentives to a developer in exchange for a recorded agreement that some or all of the housing units will remain affordable to a certain income group (for example, "Low-Income" or "Moderate-Income") for a specified number of years.

A. City Financing through Grants and Loans

Since 1973, the City has provided grants and loans for affordable housing. The sources of City affordable housing funding have included the City's Redevelopment Agency (which transferred in 2011 to the City as the Housing Successor Entity, establishing the Affordable Housing Fund), federal HOME funds, federal Community Development Block Grant (CDBG) funds, one-time Socio Economic Mitigation Program (SEMP) funds, and Inclusionary In-Lieu funds.

Before the year 2012, the largest source of City affordable housing financing was the City's Redevelopment Agency ("RDA"). As required under state redevelopment law, the RDA dedicated at least 20% of its "tax increment" income generated from its downtown redevelopment project area for affordable housing. In June 2011, the California Legislature adopted Assembly Bill ABX1 (the "Dissolution Act") resulting in the dissolution of all redevelopment agencies in California as of February 1, 2012. The Dissolution Act included provisions to situate the City as the agency to assume all right, title, and responsibility for the housing assets of the dissolved RDA. On January 10, 2012, the Santa Barbara City Council designated the City of Santa Barbara as the Housing Successor Entity to the Redevelopment Agency of the City of Santa Barbara and on November 20, 2012, the City adopted Resolution No. 12-083 and assumed all right, title, and interest in all housing assets of the former Redevelopment Agency.

State Senate Bill 341 (SB 341) became effective in January 2014 and requires that unencumbered Housing Asset Funds (HAF) from former RDA funds be used to provide Low- and Moderate-Income housing. Assembly Bill 471, which became effective in February 2014, implements new reporting requirements for housing subject to SB 341.

The second largest source of funding for City affordable housing has been Community Development Block Grant (CDBG) funds. CDBG is a federal program that provides annual grants to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for Low- and Moderate-Income persons. The program is authorized under Title 1 of the Housing and Community Development Act of 1974. The City is a CDBG entitlement jurisdiction and uses some of its CDBG funding for rehabilitation of Low-Income housing.

Another major source of funding for City affordable housing is through the HOME Investment Partnerships (HOME) program, which is a federal block grant program established in 1990. The HOME program allocates funds to jurisdictions by a formula based on various indicators of housing need. The City has committed HOME funds for Low-Income rental projects and new owner-occupied affordable units. Developers receiving HOME loans and grants through the City must pledge that some or all of the units will be affordable to Low-Income households for the long term.

The following programs are supported through these funds:

Housing Rehabilitation Loan Program (HRLP) for Multi-Family Units

This program provides funding in the form of grants for rehabilitation of existing multi-family affordable housing units in need of repair to ensure preservation of safe, attractive, and affordable housing. Currently, the City utilizes CDBG program income (funds from repayments on prior HRLP loans) to fund HRLP for multi-family units. As the program provides rehabilitation assistance in the form of grants (not loans), receipts of program income will decrease as time goes on, and the program will cease to operate when funds are depleted.

The City no longer offers HRLP for single-family units due to a reduction of owners' participation, program funding, and City staffing.

Housing Preservation (other than the HRLP)

In addition to the multi-family units rehabilitated through the City's HRLP program, additional rental units have been preserved as affordable units through acquisition, rehabilitation, or a combination of the two.

Production of New Affordable Housing

Using funds from its former Redevelopment Agency and other local, state, and federal sources, the City has provided low-interest loans and grants to developers of new affordable housing units for Low-Income renters and Moderate-Income first-time home buyers. The City has provided, via loans and grants, millions of dollars to new affordable housing projects, including 'land-banking' sites for future new construction.

B. Subordination of City Financing

When the City provides low-interest financing or grants to assist affordable housing rental projects or owner-occupied units, the City's financing is secured by a deed of trust recorded subordinate to approved financing from other institutions. Often, the owners wish to refinance the senior institutional financing to obtain a lower interest rate while keeping the City's loan in place. In such cases, the new lender

requires the City to subordinate its deed of trust to the new approved financing, so the new financing retains priority in the event of default.

Generally, the City will approve requests for subordination of financing when:

- the borrower is refinancing solely for the purpose of obtaining a lower interest rate, and
- the borrower is taking no cash out of the transaction, and
- the new institutional loan is fully amortized with no balloon payment, and
- the subordination does not place the City loan at greater risk.

Generally, the City will not approve subordination requests when:

- the City financing is deferred or only partially amortized, and the borrower proposes to take cash out of the transaction, or
- the new institutional financing may result in negative amortization (unless the City is satisfied that there is adequate owner equity (at least 20 to 25%) and the borrower has an excellent credit history), or
- the subordination places the City loan at significantly greater risk, or
- the borrower is not in full compliance with the City's affordability requirements.

For subordination requests that do not fall neatly into either of the above categories, the City will review the circumstances, and may approve or deny the subordination, or approve it subject to conditions. For example, where the subordination places the City at a higher (but still acceptable) risk of loss, the City may require an extended period of affordability. As another example, in cases where the borrower is taking out a substantial amount of cash, the City may require partial repayment of the City's loan from the cash to be taken out.

City Council has delegated authority to review subordinations on a case-by-case basis, for both affordable rental properties and owner-occupied units, and either approve, deny, or approve subject to conditions, provided:

1. either the new senior loan amount is no more than the original amount of loan being replaced, or the total loans to property value does not exceed 80%, and
2. the subordination does not place the City loan at significantly greater risk, and,
3. the borrower is in full compliance with the City's affordability requirements

Such authority is delegated as follows:

1. For single-family or 1-4 unit owner-occupied properties, to the Community Development Director, or designee.
2. For multifamily rental properties, to the Loan Committee (comprised of the Finance Director, Assistant City Administrator, and the Community Development Director).[1]

The information provided above is regarding requests for subordination of City financing. Requests to subordinate the City's affordability covenant will not be approved, unless reviewed and approved by the City Council.

C. Other Affordable Housing Programs

State Density Bonus Program

State density bonus law requires that, for housing developments of five or more units, permitting jurisdictions must provide a density bonus (and other benefits) if a developer proposes to provide a specified percentage of the units as affordable. (See Appendix B)

1 In April 2007, City Council granted authority to the Loan Committee to approve loans and grants to non-profit housing providers up to a limit of $60,000 per unit and $360,000 per project.

City Density Bonus Program

The City has adopted a local density bonus ordinance (Appendix B-II) that provides additional options to the City and developers for projects exceeding the density bonus limits under the state's program, or projects that do not qualify under the state's program. In exchange, some or all of the units on the site are subject to rent restrictions or resale controls, which provide for continued long-term affordability to Low-Income renters, and to buyers who are Moderate-, Middle- or Upper-Middle-Income. Proposed projects that include bonus units are reviewed on a case-by-case basis upon submission of project information as required and allowed under Government Code Section 65915.

Accessory Dwelling Units

Accessory Dwelling Units (ADUs) are residential units that are accessory to the main residence on a site, can be attached or detached, and provide complete independent living facilities. ADUs are not deed-restricted to be affordable, but they provide additional housing and may be affordable by design, as they are smaller in size and simpler in amenities. In 2018, City Council first adopted new Inland Zoning Ordinance regulations (Municipal Code Title 30 Section 30.185.040) to permit ADUs and Junior Accessory Dwelling Units (JADUs), consistent with State law. The State legislation pertaining to ADU projects does not supersede the requirements of the California Coastal Act; therefore, project sites within the Coastal Zone are also subject to permitting requirements under the Coastal Act and State law provisions for ADUs and JADUs.

New State legislation for ADUs and JADUs, effective January 1, 2020, necessitated updates to SBMC Section 30.185.040 and adoption of new Coastal Zoning Ordinance regulations (Municipal Code Title 28, new Chapter 28.86) for ADUs and JADUs, consistent with State law. The Title 28 amendments are effective upon certification of the California Coastal Commission. When the State amends regulations for ADUs and JADUs, further amendments to Title 30 and Title 28 will be adopted as necessary to comply with State law.

Contact the Planning Division for more information regarding ADUs or visit: http://santabarbaraca.gov/adu.

Condominium Conversion Ordinance

Santa Barbara Municipal Code Chapters 28.88 and 30.155 specify the requirements for converting existing apartments to condominiums. These ordinances have provisions relating to the affordability both of the existing apartments and the condominiums resulting from the conversion.

These ordinances provide that if any of the units in the apartment project have been rented for at least 24 of the previous 48 months at rents affordable to persons earning 90 percent of the Area Median Income (AMI) or less, then the same number of condominiums resulting from the conversion shall be sold at an affordable sale price. This price is defined as one that is affordable to Middle-Income persons earning 120-160 percent of the AMI. The determination of what is affordable is made according to policies outlined in this handbook.

Additionally, condominium conversions are subject to the City's Inclusionary Housing requirements for ownership development.

Inclusionary Housing Ordinances

<u>Ownership Development</u>

The City has an Inclusionary Housing Ordinance that requires, in ownership projects where there are ten or more ownership units (<u>excluding</u> any density bonus units), that fifteen percent (15%) of

the units be sold at prices affordable to Middle- or Upper-Middle-Income households. This requirement applies to newly built units and ownership units created though conversion of apartments to condominiums.

The maximum income levels and target income percentages for the City's inclusionary program for ownership projects are provided in Table 2. The formula used to set the initial maximum sale price for affordable ownership units is discussed in Section VI.B. A sample calculation of the initial maximum sale price for a Middle-Income unit is provided in Appendix F.

The Inclusionary Housing Ordinance specifies that the developer shall be entitled to a density bonus for the required inclusionary units, subject to some limitations. For example, a project of 20 units must provide three (3) affordable units; if the land is zoned for a maximum of 20 units, the developer is entitled to build 23 units in order to provide the required inclusionary units. In 2009, the ordinance was amended to apply to ownership projects of two (2) through nine (9) units as well as projects of 10 or more units. Projects of two (2) through nine (9) units are generally required to provide one unit as an owner-occupied Middle-Income restricted unit or pay a pro-rated in-lieu fee based on the number and size of the proposed units. The full text of the ordinance can be found in Chapters 28.43 and 30.160 of the Municipal Code.

Rental Development

Chapter 30.150 of the Municipal Code, approved in 2019, applies to certain rental projects and requires that projects with ten units or more provide a portion of the units onsite at affordable rental rates, and for projects of less than ten units requires that they either build a unit affordable to households at the Moderate-Income level or pay an In-Lieu Fee per square foot.

The maximum income levels and target income percentages for the City's inclusionary program for rental projects are provided in Table 2. Under the City's inclusionary program for rental projects, the maximum income for a Moderate-Income household is 120% of Area Median Income (adjusted by household size). A target income of 100% of Area Median Income is used to calculate the affordable rents for inclusionary units. The formula used to calculate the affordable rents is discussed in Sections III. and V.

Average Unit-Size Density Incentive Program (AUD)

In 2013, the City Council approved the AUD Program to facilitate the creation of multi-unit housing and carry out a key implementation action of the City's 2011 General Plan. Since 2013, there have been amendments made to the program and ordinance. The intent of the Program is to support the construction of smaller, more affordable residential units near transit and within easy walking and biking distance to commercial services and parks. Increased densities and development standard incentives are allowed in multi-unit and commercial zones of the City to promote additional housing. Rental, employer-sponsored, and limited equity housing cooperative units that provide housing opportunities to the City's workforce are especially encouraged. The Program has an initial trial period in effect until August 31, 2021. As the trial period approaches its end, the City Council is considering modifications to the Program to make it a permanent multi-unit housing ordinance.

Tenant Displacement Assistance Ordinance (TDAO)

The TDAO requirements and process apply when an application for discretionary or ministerial approval is filed with the City for a demolition, alteration, conversion or change of use resulting in the elimination of a residential unit, and causing the displacement of tenants, even if the project results in a net increase in residential units. The TDAO, in Chapters 28.89 and 30.190, requires applicants to notify all tenants on the property via a Notice of Intent that an application to eliminate a residential rental unit will be filed with the City. The Notice of Intent explains how the ordinance

applies to tenants including the entitlement to financial assistance. Special-needs resident households are eligible for a higher compensation.

Units Receiving Zoning Modifications

Owners often wish to make improvements to their residential properties that are not in strict compliance with the City's zoning ordinance. Many properties were legally developed decades ago when there were no zoning standards or the zoning requirements were less stringent. For example, there are many lots that were legally developed with more units than current zoning would allow. Owners of these legal non-conforming properties may not add square footage or intensify the use unless they receive a zoning modification, except for limited circumstances such as Accessory Dwelling Units and certain very small additions, such as a laundry room. Consult with Planning Division staff for more details on exceptions. The City's Staff Hearing Officer, and in some cases the Planning Commission, must determine on a case-by-case basis whether, and under what conditions, such Zoning Modification should be approved.

On lots where the number of units is legal non-conforming to current zoning, an owner wishing to add a room onto an existing unit may request a lot area Modification. Such Modifications are similar to a density bonus, and are usually only granted by the City in exchange for recorded affordability conditions on one or more of the units. However, the City's standard Low-Income rental requirement (90-year term targeted to 60% of AMI) is sometimes a disproportionate imposition on the applicant compared to the benefit conferred by the Modification. The City's Community Development Director has the authority to reduce or waive the affordability requirements on a case-by-case basis for Zoning Modifications on existing units. For example, in the case of an applicant wanting to add a bathroom to a legal non-conforming duplex that has a lot area smaller than the required lot area, a Section 8[2] rental requirement could be imposed, as well as an affordability term substantially shorter than 90 years, if approved by the City's Community Development Director. However, if the Modification request is for legalizing a dwelling unit with illegal components and is the subject of an enforcement action, the affordability requirements could possibly be much more stringent.

Tenant Based Rental Assistance

The Tenant-Based Rental Assistance (TBRA) is a rental subsidy program to help individual households acquire permanent housing through temporary rental subsidies with or without rental security deposits and/or utility deposits. The City of Santa Barbara has chosen to set aside federal HOME funds in this manner to assist homeless persons acquire permanent housing. Similar to the Section 8 housing choice voucher program, the TBRA program benefit follows the tenant and is not tied to any specific housing project. The City's program requirements meet or exceed U.S. Department of Housing and Urban Development (HUD) standards for TBRA programs. Please see Appendix C for program requirements.

2 The "Section 8" housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to select their own housing, including single-family homes, townhouses, and apartments.

III. THE CITY'S POLICIES FOR AFFORDABILITY

A. What is "Affordable"?

The term "affordable" may have a wide range of meanings to the public, but in the City's usage, it has a specific meaning. The City, as well as most state and federal housing programs, defines affordable housing as follows:

1. Rental housing where the tenants do not pay more than thirty percent (30%) of their gross monthly income on rent and utilities[3], and

2. Ownership housing where the owners do not pay more than forty percent (40%) of their gross monthly income on mortgage loan payment(s), private mortgage insurance premium (if applicable), homeowners' association dues, hazard insurance premium and property taxes. The housing should remain affordable to subsequent residents or owners throughout the term of the affordability controls.

When affordability controls are applied to a project, the particular requirements of any applicable program regulations are incorporated into the project. In addition, it is the City's standard policy to require a 90-year period of affordability, which is recorded as a covenant on the property. (Per the City's charter, any new contract over 5 years requires adoption of an ordinance by City Council.)

B. Income Categories and Area Median Income

The U.S. Department of Housing and Urban Development (HUD) determines the Area Median Income (AMI) for areas throughout the nation and generally updates the figure annually. When used in this document, the term AMI refers to the HUD AMI for Santa Barbara County as HUD does not provide a median income specifically for the City of Santa Barbara. The median income values change every year. Please contact Housing Programs Staff for the current AMI.

The City's affordability requirements refer to the following "income categories," which are usually based on various percentages of the AMI, as shown in Table 1. Unless superseded by other applicable program requirements, these income categories apply to affordable projects in the City.

Table 1. Income Categories

Income Category	Percentage of Area Median Income (AMI)
Extremely-Low-Income	30% or below
Very-Low-Income	50% or below
Low-Income	50% - 80%
Moderate-Income	80% - 120%
Middle-Income	120% - 160%
Upper-Middle-Income	160% - 200%

C. Maximum Income Levels and Income Targeting

The maximum income levels for Moderate-, Middle-, and Upper-Middle-Income housing units are based on a percentage of the AMI. However, HUD has changed the method of setting the maximum income levels for the Extremely-Low-, Very-Low-, and Low-Income categories in Santa Barbara County to adjust for the high housing cost of the area. In past years, the maximum income level for the Extremely-Low-Income category was 30% of AMI for a given household size, 50% of AMI for the Very-Low-Income category, and 80% of AMI for the Low-Income category.

Under the new method of calculation, HUD supplies the Extremely-Low-, Very-Low- and Low-Income limits based on the incomes needed to qualify for certain subsidized housing in the area. The Extremely-Low-, Very-Low- and Low-Income limits are higher than they would be if Santa Barbara County were not a high housing cost area. The current income limits are available online at: www.SantaBarbaraCA.gov/IncomeLimits

It would be impractical for the City to set individual maximum rents or sale prices based on the *actual* income of each household. Instead, the affordable rents and sale prices are based upon the *target income* for the income category the unit is meant to serve.

Please note the distinction between target income and maximum income levels: maximum income levels are used to determine who is eligible to rent or buy an affordable unit; target income percentages are used to set the affordable rent or sale prices.

The maximum income levels and target income percentages vary according to the income category that the housing is meant to serve (Low-Income, Moderate-Income, etc.) and the requirements of any applicable subsidy and incentives. Table 2 provides the maximum income levels and target income percentages for the various programs used in the City.

Table 2. Affordable Housing Programs in the City

Program	Allowable Income Category	Maximum Income Levels[4] (adjusted by household size)	Target Income Percentages[5]
State Density Bonus Law for Ownership and Rental Units	Moderate[6]	120% of AMI	110% of AMI
	Low[7]	80% of AMI	60% of AMI
	Very-Low	50% of AMI	50% of AMI
	Extremely-Low	30% of AMI	30% of AMI
HUD's HOME Program	Low ("High HOME")	60% or 80% of AMI[8]	65% of AMI[9]

4 Maximum income levels are used to determine who is eligible to rent or buy an affordable unit.
5 Target income percentages are used to set the affordable rent or sale prices.
6 The Moderate-Income category under State density bonus law only applies to ownership units, not rental units.
7 State density bonus law for ownership and rental units refers to this category as "Lower-Income."
8 For each annual HOME allocation that the City receives, at initial project lease-up at least 90 percent of the Households assisted through all the City's rental housing programs combined must have incomes at or below 60 percent of area median income. (This includes programs for acquisition and/or development of rental housing as well as tenant-based rental assistance.) The balance of assisted Households must have incomes that do not exceed 80 percent of the area median income.
9 HUD sets the maximum rent for HOME-assisted units.

	Very-Low (“Low HOME”)	50% of AMI[10]	50% of AMI[11]
HUD’s CDBG HRLP Program[12]	Low	80% of AMI	60% of AMI
State Housing Law for Projects receiving City Housing Successor Entity Funds	Low[13]	80% of AMI	60% of AMI
	Very-Low	50% of AMI	50% of AMI
	Extremely-Low	30% of AMI	30% of AMI
City Density Bonus Policies for Rental Projects within the first 35% Density Bonus[14]	Low	80% of AMI	70% of AMI
City Density Bonus Policies for Ownership Projects within the first 35% Density Bonus[15]	Upper-Middle (single family homes on separate lots)	200% of AMI	160% of AMI
	Middle (condos & duplexes)	160% of AMI	120% of AMI for condos 130% of AMI for duplexes
City Inclusionary Program for Ownership Projects	Upper-Middle	200% of AMI	160% of AMI
	Middle	160% of AMI	120% of AMI
	Moderate	120% of AMI	100% of AMI
	Low	80% of AMI	70% of AMI
City Inclusionary Program for Rental Projects	Moderate	120% of AMI	100% of AMI

10 For projects with five or more HOME-assisted units, at least 20 percent of the HOME-assisted units must be occupied by Very-Low-Income Households.
11 HUD sets the maximum rent for HOME-assisted units
12 CDBG Program funds are generally used for rehabilitation projects (HRLP). Any use is subject to the particular requirements and limitations set by HUD for the applicable eligible use.
13 State housing law for projects receiving City Housing Successor Entity funds refers to this category as “Lower-Income.”
14 Refer to Appendix B for City density bonus requirements for rental units above the first 35% density bonus.
15 Refer to Appendix B for City density bonus requirements for ownership units above the first 35% density bonus.

D. Adjustment for Household Size

The City defines a "Household" as persons who will live in the property as their primary residence and who are unrelated, related by blood, marriage, law, or are registered domestic partners. Persons (including children) aged 18 and older who live away from home for purposes of either work or study and return to the Household periodically will not be counted as Household members. The AMI as published by HUD corresponds to the area median income for a Household of four. The AMI varies by the number of persons in the Household. This is based on the rationale that a larger Household requires a higher income to maintain a minimum standard of living. HUD sets the median incomes for other Household sizes by applying a multiplier to the median income of a Household of four. For example, HUD sets the median income of a Household of three at 90% of that of a Household of four, and sets the median income of a Household of five at 108% of that of a Household of four. For households with more than six persons, the City will add eight percent for each additional person.

Table 3. Median Income Adjusted by Household Size

Number of Persons:	1	2	3	4	5	6
% of 4 Person Income	70%	80%	90%	100%	108%	116%

E. Adjustments for Number of Bedrooms (Unit Size Adjustment)

As might be expected, the City sets the maximum rents and sale prices at a higher level for units with a greater number of bedrooms. This reflects the fact that larger units will accommodate larger Households, with correspondingly higher maximum allowable Household incomes.

It would be impractical to set different maximum rents or sale prices based on the actual number of persons in a given Household. Instead, the City makes assumptions about the average number of persons that will be occupying units with various numbers of bedrooms. For example, the City assumes that the average number of persons in a two-bedroom unit will be three persons. As noted in the previous section, HUD sets the median income for a Household of three persons at 90% of the median income of a Household of four. Therefore, the City multiplies the AMI by a "unit size adjustment" of 90%. This adjusts the "target" income for a two-bedroom unit.

The other unit size adjustments have been set to arrive at reasonable rent differentials for other unit sizes. Although these unit size adjustments do not all correspond to actual Household sizes, they reflect the assumption that larger units will be occupied by larger Household sizes.

The state and federal government housing programs also set adjustments for various numbers of bedrooms, based on various assumed Household sizes. As shown in Tables 4A, 4B, and 4C, their assumptions about the number of persons who will occupy units differ slightly from the City's and from each other. The one case for which the assumptions are identical among all of the programs is for two-bedroom units; all programs assume that two-bedroom units will be occupied by three-person Households. For units with more than four bedrooms, the City will add eight percent for each additional bedroom.

Table 4. Unit Size Adjustments

Table 4A **City Unit Size Adjustments** (Middle- and Upper-Middle-Income Ownership Units, AUD Rental Inclusionary, and City Density Bonus Rental Units)		
# Bedrooms	Unit Size Adjustment	Assumed # in Household

SRO[16]	0.50	N/A
Studio	0.60	N/A
1 Bedroom	0.75	1.5 Persons
2 Bedroom	0.90	3 Persons
3 Bedroom	1.00	4 Persons
4 Bedroom	1.08	5 Persons

Table 4B **State Unit Size Adjustments** (Successor Housing and State Density Bonus: Lower- and Very-Low-Income Rental Units and Moderate-Income Ownership Units)		
# Bedrooms	Unit Size Adjustment	Assumed # in Household
Studio	0.70	1 Person
1 Bedroom	0.80	2 Persons
2 Bedroom	0.90	3 Persons
3 Bedroom	1.00	4 Persons
4 Bedroom	1.08	5 Persons

Table 4C **Federal HOME Program (HUD)** **Unit Size Adjustments**		
# Bedrooms	Unit Size Adjustment	Assumed # in Household
Studio	0.70	1 Persons
1 Bedroom	0.75	1.5 Persons
2 Bedroom	0.90	3 Persons
3 Bedroom	1.04	4.5 Persons
4 Bedroom	1.16	6 Persons

IV. DEVELOPMENT REVIEW OF AFFORDABLE PROJECTS

A. Minimum Unit Sizes for Affordable Units

To assure livability for the targeted household size, the City requires that affordable housing units have certain minimum floor areas. Refer to Section 30.140.150 of the Santa Barbara Municipal Code for the minimum sizes and required features of a residential unit. The maximum rents and sale prices for affordable units are adjusted according to the number of bedrooms; implicit in this adjustment is the assumption that larger units will house larger Households. To assure that affordable units are large enough for the number of people for which they are meant, these policies set minimum sizes.

Exceptions to the minimum sizes in Table 5 may be made by the City's Community Development Director if he or she determines that:

(1) The smaller sizes of the units are appropriate and necessary for the feasibility of the development in light of site constraints and/or targeted residency; or

16 Single Room Occupancy (SRO): A type of residential property that includes multiple single-room dwelling units. Each unit is for occupancy by a single individual and need not, but may, contain food preparation or sanitary facilities, or both.

(2) The average size of the market rate units in the project is smaller than the minimum unit size; or

(3) The smaller sizes of the units are compensated by non-standard design features that make the smaller units equivalent in function and comfort to a unit without these design features but which meets the minimum size requirement. Non-standard design features might include larger private outdoor living space, higher ceilings, more generous fenestration, attractive and spacious common area for the residents, or a combination of these or other features.

The minimum unit sizes in net square feet of livable floor area are as follows:

Table 5. Minimum Sizes for Affordable Units

Unit Type	Rental and Ownership Units[17]
Efficiency or Micro Unit[18]:	150 sq. ft.
Studio:	220 sq. ft.
1 Bedroom or more:	400 sq. ft.

Two-bedroom affordable units should have at least one and one-half bathrooms, and three- and four-bedroom affordable units should have at least two bathrooms. However, the number of bathrooms does not have to be greater than the number of bathrooms in the market-rate units.

V. RENTAL UNIT DEVELOPMENT PROJECTS

A. Affordability Requirements for Rental Projects

Calculation of Affordable Rents

The calculation of the rent allowed by the City for an affordable rental unit depends on the last two factors discussed above: the "target income percentage" and the "unit size adjustment."

Target income percentages and unit size adjustments for rental units are dictated by the requirements of specific subsidy programs. For projects receiving HOME funds, the maximum rent for the HOME units is set by HUD. For projects receiving other City financing/or and incentives, the maximum rent is calculated as follows:

(AMI) × (Target Income %) × (Unit Size Adjustment) × (30% of Income for Rent) / 12 months = Maximum Monthly Rent

The City uses several subsidy programs and incentives, and therefore uses several different target income percentages and unit size adjustments as provided in Tables 2 and 4.

It should be noted that state law permits higher rents for Households with incomes between 60% and 80% of AMI; rents for those Households may be set at 30% of the *actual Household income*. The City may approve these higher rents in exceptional circumstances, but the City's standard

17 All affordable units should be dispersed evenly throughout the development, and they shall be comparable in size and provide at least the same average number of bedrooms as the market rate units in the same housing project.
18 The 150-sq. ft. minimum is granted only to efficiency or micro units provided for occupancy by persons who qualify as either Low-Income or Very-Low-Income Households or units permitted as a studio Accessory Dwelling Unit.

requirement for Low-Income units receiving former Redevelopment Agency or Housing Successor Entity funds is that the rents be affordable at a target income of 60% of AMI.

Over-Income Tenants

It is possible for a tenant household, which initially met the income requirements of an affordable unit at the time of lease-up, to have an increase in income such that their income exceeds the maximum income level designated for the unit. For projects that received subsidized funding in exchange for providing residential units that are restricted to a certain income level, the question of what to do if/when a tenant goes "over-income" is governed by the rules of the specific funding program (e.g. the HOME Program or the Low Income Housing Tax Credit Program). In the absence of any such governing rule for affordable units in the City, the provisions of the project's affordability covenant can address the appropriate method of response. Generally, an increase in income shall not be cause for eviction of the household, but the rental rate may be raised such that the monthly rent shall then equal one-twelfth (1/12) of thirty percent (30%) of the gross annual household income of the over-income household, times the applicable Unit Size Adjustment Factor, minus the applicable "Utility Allowance."

Utility Allowance Adjustments

The City's requirements for maximum rents assume that the landlord pays all utilities. If the tenant is required to pay some or all of the utilities, the maximum rents are reduced in accordance with a utility allowance schedule prepared by the Housing Authority of the City of Santa Barbara (HASB) and approved by HUD. The utility allowance schedule varies not only by the number of bedrooms in the unit but also by the various utility combinations (i.e., all electric versus all electric except space heating, etc.). A chart listing the current utility allowance for various combinations of utility payments in the City is available upon request from Housing Programs staff. Information is also available directly from HASB.

Section 8 Housing Choice Voucher Program

In some cases, the City has allowed owners of rent-restricted units to receive substantially higher rents than those listed above, provided the owner rents to recipients of "Section 8 vouchers." Through this program, administered by HASB, the tenant pays 30% of their income for rent and utilities. Federal funds are paid to the landlord to make up the difference between this tenant share and the "Fair Market Rent" (FMR). HUD periodically establishes FMRs for the County of Santa Barbara based on a survey of rents. North-County rents are much lower than rents on the South Coast. Thus, the FMRs calculated by HUD for Santa Barbara County are usually far below actual market rents in the City. In response to this disparity, at the request of HASB, HUD has approved "Exception Payment Standards" for the City that allows FMRs to be increased substantially. With this increase, the Exception Payment Standards more closely approximate market rents in the City. The Exception Payment Standards reflect the maximum amounts paid through the Section 8 voucher program. The actual rent paid to landlord for the Section 8 tenant is based on HASB's reasonable rent valuation for that specific unit and is not to exceed Exception Payment Standards. Further information is available on the HUD and HASB websites under payment standards and fair market rents.

Documents and Reporting Requirements

Developers/owners of affordable units are required to file reports with the City annually and upon each change in occupancy. These reports will contain information and copies of documents that the City requires to ensure compliance with the affordability conditions. Affordability requirements will be incorporated in the conditions of approval for the project. Language setting forth these requirements will be included in an affordability control covenant recorded on the real property.

B. Application and Permitting Process for Rental Projects with Affordable Units

Projects with affordable rental units go through the same development review process as other rental projects but receive expedited review and priority placement on discretionary meeting agendas. While affordable housing projects are subject to a few additional steps after project approval, Housing Programs staff will work closely with the assigned case planner and developer/owner to implement the City's affordable housing program requirements.

1. Prior to the issuance of building permits, the developer/owner must execute and record an "Affordability Covenant." The project's Affordability Covenant describes the affordability restrictions as specified in the Planning Commission's or Staff Hearing Officer's conditions (if applicable) and in these Affordable Housing Policies and Procedures. It also provides that, in the event of any default under the Affordability Covenant, the City has the right to receive all rents due or collected from any unit rented in violation of the terms of the Affordability Covenant. The City also has the right to enforce the Affordability Covenant through legal action. For Low-Income housing tax credit projects, the City typically agrees to subordinate the City Affordability Covenant to the California Tax Credit Allocation Committee Regulatory Agreement.

2. The project's recorded Affordability Covenant will also describe any additional requirements such as a Marketing Plan and Tenant Selection Plan. For such projects, the developer/owner must submit a Marketing Plan and Tenant Selection Plan acceptable to Housing Programs staff and in compliance with the City's Affordable Marketing Requirements (Appendix D) and Tenant Selection Plan Requirements (Appendix E) prior to the issuance of a Certificate of Occupancy and prior to the initiation of marketing of the affordable units. A City lottery will not be held for affordable rental units; marketing and tenant selection will be handled by the developer/owner.

3. For all projects, Housing Programs staff must approve the method of income calculation for eligibility of the initial renters and the initial maximum rent levels. In most cases, the HUD method of income calculation, as defined in 24 CFR 5.609, will be used when calculating Household income for program-qualification purposes.

VI. OWNERSHIP DEVELOPMENT PROJECTS

A. Application and Permitting Process for Ownership Projects with Affordable Units

Projects with affordable ownership units go through the same development review process as other ownership developments but receive expedited review and priority placement on discretionary meeting agendas. While affordable housing projects are subject to a few additional steps after project approval, Housing Programs staff will work closely with the assigned case planner and developer/owner to implement the City's affordable housing program requirements.

1. Prior to the issuance of building permits, the developer/owner must execute and record a "Developer's Covenant." The Developer's Covenant describes the affordability resale restrictions as specified in the Planning Commission's or Staff Hearing Officer's conditions (if applicable) and in these Affordable Housing Policies and Procedures. It also provides that the City also has the right to enforce the Developer's Covenant through legal action. The developer/owner is advised to obtain written approval of the Developer's Covenant from all lenders.

2. The City administers a public lottery in order to establish a sequential list of potential buyers for newly constructed affordable ownership units. Prior to the issuance of a Certificate of Occupancy and prior to the initiation of marketing of the affordable units, the developer/owner must submit a Marketing Plan acceptable to Housing Programs staff and in compliance with the City's Affordable Marketing Requirements (Appendix D). For affordable ownership projects without City or other public financing, a preference is given to applicants who live or work in the South Coast area of Santa Barbara County (from Gaviota to the Ventura County line) at the time of application. Lottery applicants are preliminarily screened for meeting the applicable City requirements. In order to provide a preference to applicants who live or work in the South Coast, the City will conduct two lotteries to determine a sequential ranking of applicants. All of the applicants with a member that lives or works in the South Coast area will be drawn in the first lottery. The applicant first drawn has the first opportunity to be fully qualified to purchase and shall get first selection of a unit. All of the applicants that do not work or live in the South Coast area will be drawn in the second lottery and will be numbered after the last name drawn from the first lottery. The process continues until there is a fully qualified occupant purchaser for each available affordable unit.

3. Housing Programs staff must approve the eligibility of the buyers, the initial sale prices and financing. Housing Programs staff will inform the prospective buyers of the resale requirements applicable to the unit they are purchasing.

4. As a part of escrow proceedings on an affordable ownership unit, a new covenant wherein the buyer agrees to comply with the requirements of the affordable housing program is recorded. Buyers of affordable units are not allowed to move in until after close of escrow, except in exceptional circumstances and upon written pre-approval of the Community Development Director.

B. Initial Maximum Sale Prices for Ownership Units

Setting the initial affordable home sales prices is slightly more complicated than setting affordable rents, because it involves a number of additional assumptions to estimate the monthly housing costs. Initial maximum prices for affordable homes depend on many factors including target income, rate of the loan, down payment, and any homeowner association fees.

The initial maximum sale price for affordable ownership units is determined according to a formula. An example calculation of the initial maximum sale price for a Middle-Income unit is provided in Appendix F. Although the definitions and narrative of the formula are lengthy, the basic concept is simple. The unit must be affordable to the new buyer; therefore, the price must be such that after a ten percent (10%) down payment, the total monthly payments for the loan, property taxes, hazard insurance, and homeowner association fees will not exceed thirty-five percent (35%) of a hypothetical "target" Household's income. A housing cost-to-income ratio of 30% is used for Low- and Very-Low-Income units that were funded with Redevelopment Agency funds.

Mortgage Interest Rates

The sale price calculation is very sensitive to changes in mortgage interest. The higher the interest rate, the lower the mortgage a given monthly loan payment will support. If the initial sale price is calculated at a time that interest rates are unusually low, subsequent buyers will have difficulty affording the unit if interest rates have increased substantially in the interim. To further the goal of long-term affordability, in order to smooth out interest-rate fluctuations, the City will use the following procedure for setting the interest rate used for the calculation of initial sale prices of affordable units:

At least once per year, concurrently with the annual publication of the Area Median Income by HUD, the City will set the interest rate to be used in its initial sale price calculations using the average rate charged by local institutional lenders on a zero point 30-year fixed rate mortgage.

Private Mortgage Insurance

The above calculation for the mortgage interest rate assumes a 20% down payment. However, most buyers of affordable units cannot afford a 20% down payment. In recognition of this, the City assumes a 10% down payment in its affordable price calculations. If a borrower is putting less than 20% as a down payment, conventional mortgage lenders require the borrower to either obtain private mortgage insurance (PMI) or obtain a second deed of trust loan (at a higher interest rate) for the amount of financing above 80% of value. Either of these options increases the costs to the borrower. In the past, these extra costs have not been included in the City's affordable price calculations. Staff estimates that these added costs would be equivalent to 0.25% increase to interest rate. This amount is included in the calculation of the initial sale price.

Homeowner Association Fees

The initial sale price calculation is also sensitive to changes in homeowner association (HOA) fees. The higher the HOA fees, the lower the amount of the buyers' income that is available for mortgage payments. City staff is aware of many buyers of affordable units whose HOA fees have increased substantially after they purchased their unit. This has the effect of making their unit less affordable to them and to subsequent buyers. To assure that the HOA fee used in the City's initial sale price calculations is adequate, Housing Programs staff surveys several established homeowners' associations and arrives at an average.

A developer of new affordable ownership units is encouraged to include the proposed method of calculating the amount of HOA dues applied to the designated affordable housing units. This calculation should include consideration for long-term affordability to owners. Either the developers' proposed amount for HOA dues or the HOA annual average whichever amount is higher shall be used when calculating initial sales prices of the affordable units included in the project. It should be noted that the HOA dues amount used in the City's calculation for the initial maximum sale price is an estimated figure and is not meant to represent or guarantee a certain amount for HOA dues for the project at the time of initial sale or any subsequent sale. A project's HOA dues are subject to change over time, and the City has no control over the amount set by an HOA for HOA dues.

C. Affordability Assurance for Ownership Projects

The City requires buyers of restricted ownership units to execute and record an Affordability Covenant and Option to Purchase ("ACOP"). The ACOP describes the affordability restrictions as specified in the Planning Commission's or Staff Hearing Officer's conditions, the Developer's Covenant and in these Affordable Housing Policies and Procedures. The ACOP restricts the price of the unit, details the eligibility requirements for buyers, and defines the owner's responsibilities during the term of the ACOP.

The ACOP shall be at least ninety (90) years from the effective date of the ACOP. If an owner occupies the unit for the full term, the controls expire and the owner may sell the unit to any buyer for any price. However, years of ownership are not transferable. If the owner sells the unit during the term of the ACOP, the new owner will be required to sign and record a new covenant ("Replacement Covenant"), which shall replace the existing owner's ACOP. The Replacement Covenant begins a new ninety-year period of affordability restrictions. This requirement will continue for each new owner of the unit. The Replacement Covenant shall contain revisions to reflect any changes to the City's adopted affordability policies.

The buyer, seller, and the City sign the ACOP. Of course, it is important for prospective developers, buyers and sellers to read and understand the current version of the ACOP that they will be required to sign. The 2021 version of ACOP is provided in Appendix G. Please contact Housing Programs Staff for the current version of the ACOP.

The ACOP is a document that is required in implementation of the AHPP. In the event of inconsistencies between program policy summarized in this manual and the terms and conditions in the owner's recorded ACOP, the owner's recorded ACOP terms and conditions will control. In cases where an owner's recorded ACOP is silent or does not address a certain policy item, the City's current policy, as described in the Affordable Housing Policies and Procedures manual, as amended from time to time, shall be applied. The City Community Development Director or the Director's designee may consider modifications to certain requirements in the ACOP. Please refer to the ACOP for waivers that may be considered.

VII. CONCLUSION

This summary of the policies and procedures of the City's affordable housing program is intended to demonstrate the strength of the City's commitment to encouraging and preserving housing that is affordable to residents of the City of Santa Barbara. Updates, as warranted, will reflect changes in indexes used to calculate income, rents and sales prices, new federal and state regulations, action by City Council, or administrative needs. The Community Development Director, or his or her designee, has the authority to approve such administrative revisions subject to approval as to form by the City Attorney.

AMI, as well as other factors within this document, are subject to change and most change annually. To obtain current information or if you have questions about the topics covered in this manual, contact Housing Programs staff.

IX. ACRONYMS

AB ###	California Assembly Bill ###
ACOP	Affordability Covenant and Option to Purchase
ADU	Accessory Dwelling Unit
AUD	Average Unit-size Density Program
AHPP	Affordable Housing Policies and Procedures Manual
AMI	Area Median Income
CDBG	Community Development Block Grant
HUD	U.S. Department of Housing and Urban Development
FMR	Fair Market Rent
HASB	Housing Authority of the City of Santa Barbara
HOME	Home Investment Partnerships Program
HRLP	Housing Rehabilitation Loan Program
IHO	Inclusionary Housing Ordinance
RDA	Redevelopment Agency
SB ###	California Senate Bill ###
SDBL	State Density Bonus Law
SRO	Single Room Occupancy
TBRA	Tenant Based Rental Assistance
TDAO	Tenant Displacement Assistance Ordinance

Affordable Housing Policies & Procedures
APPENDIX A
Affordable Housing Program Inventory

Property Address	Project Name	Developer	Affordable Units	Extremely Low, Very Low & Low Income Units	Moderate Income Units	Middle Income Units	Upper-Middle Income Units	Senior Units	Funding Sources
Occupancy: Rental (excluding Senior Projects)									
1104 Carpinteria St.		Borgatello	2		2				
114 La Paz Ave.		Roberts	2	2					
115 W Anapamu St.	Hollister House Apts.	Sanctuary Psychiatric Centers of Santa Barbara	8	8					RDA
125 W Anapamu St.	Arlington Apts.	Sanctuary Psychiatric Centers of Santa Barbara	27	27					RDA, CDBG
1306 Garden St.		Lippincott	4		4				
1409 Castillo St.	Las Casitas	CHC	3	3					RDA, HOME, CDBG
15 E Haley St.	Faulding Hotel	CHC	81	71	10				RDA, HOME, CDBG, SEMP
1502-1522 San Pascual St.	Lighthouse Apts.	Turner	7	7					SEMP
1910 San Pascual St.		HASB	12	12					SEMP
1910-1912 Robbins St.		Rivera	2		2				
21 E Anapamu St.	Casa las Granadas	PSHHC	12	12					HOME, HELP
210 W Victoria St.	Victoria Street Bungalows	PSHHC	16	13	3				RDA, HOME, CDBG, SEMP, HELP
222 Meigs Rd.		Kallman	2		2				
22-24 E Victoria St.	Victoria Hotel	PSHHC	27	14	13				RDA, HOME, CDBG

Property Address	Project Name	Developer	Affordable Units	Extremely Low, Very Low & Low Income Units	Moderate Income Units	Middle Income Units	Upper-Middle Income Units	Senior Units	Funding Sources
224 W Ortega St.		HASB	6	6					RDA, HOME, CDBG
2525 De La Vina St.		HASB	6	6					RDA, CDBG
227 E De La Guerra St.	De La Guerra Court	Berkus	1		1				
2941 State St.		HASB	6	6					RDA, CDBG
309-319 S Voluntario St.	Paseo Voluntario	HASB	20	20					RDA, HOME
315 W Carrillo St.	El Carrillo	HASB	61	61					RDA
320 S Salinas St.	Casa Marianna	Transition House	19	19					HOME, CDBG
322 Ladera St.	Milagro de Ladera	PSHHC	51	51					RDA, HOME, CDBG
335 W Carrillo St.	Casa de las Fuentes	HASB	42	9	33				RDA, HELP
4006-4045 Via Lucero St.	El Patio Gardens-Family	Wagner	65	65					RDA, SEMP
401 Old Coast Hwy.			3	3					
416-424 E. Cota St.	Artisan Court	HASB	55	55					RDA, HOME
420 E. De La Guerra St.	Presidio Park Apartments	Goldrich & Kest	49	49					AH
4200 Calle Real	St. Vincent's Family-Garden Apts.	Mercy Housing	75	75					RDA, SEMP
421 N. Alisos St.		Lomeli	1	1					
421-425 E. Cota St.	Mom's Place	Transition House	16	16					RDA, HOME, CDBG
424, 428 & 430 Rancheria St.	Rancheria Village	Marianna Ranch, LP	14	14					AH
47 Broadmoor Pl.	Broadmoor	CHC	15	15					RDA
509-515 W. Victoria St.	The Pump House	HASB	11	11					RDA, CDBG
510-520 N. Salsipuedes St.	Jardin de las Rosas	PSHHC	39	39					RDA, HOME
512-518 Bath St.	Bradley Studios	HASB	53	53					RDA
514-520 W. Sola St.		CHC	30	30					RDA, CDBG, SEMP
518 E. Canon Perdido St.	Eleanor Apts.	HASB	8	8					AH, HOME, SEMP

Property Address	Project Name	Developer	Affordable Units	Extremely Low, Very Low & Low Income Units	Moderate Income Units	Middle Income Units	Upper-Middle Income Units	Senior Units	Funding Sources
518-525 W. Canon Perdido St.	Village Apts.	Turner	7	7					CDBG
521 W. Victoria St.	Second Stage Apts.	Domestic Violence Solutions	15	15					RDA, HOME, CDBG
602 Eucalyptus Ave.		HASB	4	4					
616 W. Mission St.		HASB	6	6					CDBG
617 Garden St.	Building Hope	MHA	50	50					RDA, CDBG, HELP
625-629 Coronel Pl.	Coronel Place	CHC	20	11	9				AH, CDBG
630 Bath St, 233 W. Ortega St.		HASB	6	6					RDA
630 W. Arrellaga St.		HASB	4	4					RDA, SEMP
633 De la Vina St.		HASB	8	8					HOME, CDBG
705 Olive St., 425 E. Ortega St.		HASB	6	6					HOME, HELP, JOBS
801-835 Olive St.	Olive Street	HASB	18	18					RDA, CDBG
813 E. Carrillo St.	Johnson Court	HASB	16	16					AH
817 N. Salsipuedes St.		Transition House	3	3					AH, HOME, CDBG
82 N. La Cumbre Rd.		HASB	11	11					RDA
821 Bath St.	Bath Street Apts.	CHC	12	12					RDA, CDBG
821 E. Figueroa St.		HASB	6	6					RDA, HOME, CDBG
910 E. Haley St.		Sherwin	1	1					
933 San Pascual St.		CHC	6	6					CDBG, SEMP
Occupancy: Rental (excluding senior projects)			**1050**	**971**	**79**	**0**	**0**	**0**	
Occupancy: Rental- Senior Projects									

Property Address	Project Name	Developer	Affordable Units	Extremely Low, Very Low & Low Income Units	Moderate Income Units	Middle Income Units	Upper-Middle Income Units	Senior Units	Funding Sources
1012-1024 E. De La Guerra St.	Casitas De La Guerra	HASB	15	15				15	RDA, HOME, CDBG
1018-1028 Castillo St.	Castillo Homes	CHC	32	12	20			32	RDA, CDBG
1032 E. Mason St.		Second Baptist Church of Santa Barbara	7	7				7	
1116-1132 De La Vina St.	Garden Court	HASB	97	97				97	AH
1313 Castillo St.		McPhillips						3	
1511 Bath St.		Smagala	2	2				10	RDA
1906 Elise Way		Kallman						2	
1920 San Pascual St.		Hawkes	5	5				14	RDA
203-221 Hitchcock St.	Rancho Franciscan	Schuck						111	
209 W. Cota St.		Smagala	2	2				6	RDA
222 W. Micheltorena St.		Smagala						12	
227 W. De La Guerra St.	Cottage Garden Apts.	HASB	17	17				17	RDA, CDBG
3869 State St.	Grace Village	HASB	57	57				57	AH, SEMP
4007-4011 Via Lucero St.	El Patio Senior Apts.	Wagner	48	48				48	RDA, SEMP
418 Santa Fe Pl.	SHIFCO / Villa Santa Fe	HASB	95	95				95	HOME, CDBG
4200 Calle Real	St. Vincent's Senior-Villa Caridad	Mercy Housing	95	95				95	RDA
521 N. La Cumbre Rd.	Villa La Cumbre	HASB	60	60				60	RDA, CDBG
803 Laguna St.	Laguna Cottages for Seniors	Laguna Cottages for Seniors	44	44				44	RDA, HOME, CDBG
816 Vine Ave.		HASB	6	6				6	CDBG
818 Garden St.	Laguna Cottages for Seniors	Laguna Cottages for Seniors	11	11				11	RDA, HOME
913-921 E. Gutierrez St.		Kallman						8	
Occupancy: Rental- Senior Projects			**593**	**573**	**20**	**0**	**0**	**750**	

Property Address	Project Name	Developer	Affordable Units	Extremely Low, Very Low & Low Income Units	Moderate Income Units	Middle Income Units	Upper-Middle Income Units	Senior Units	Funding Sources
Occupancy: Owner-Occupied Mobile Homes									
1200 Punta Gorda St.	Santa Barbara Green MHP	CHC	48	48					RDA
1212 Punta Gorda St.	Holiday MHP	CHC	23	23					RDA
Occupancy: Owner-Occupied Mobile Homes			**71**	**71**	**0**	**0**	**0**	**0**	
Occupancy: Group/Transitional Housing									
1020 Placido Ave.	CADA Detox	HASB	12	12					RDA
106 Juana Maria St.	Casa Juana Maria	MHA	6	6					RDA, HOME, CDBG
107 E. Micheltorena St.	Phoenix House	Phoenix of Santa Barbara	12	12					CDBG
125 W. Carrillo St.	Hotel de Riviera	CHC	29	29					RDA, CDBG
1801 Bath St.	Polly's House	MHA	10	10					CDBG
18-20 E. Sola St.	Heath House	PSHHC	7	7					CDBG
2612-2614 Modoc Rd.	Sarah House	Congregate Care	10	10					RDA, HOME, CDBG
2904 State St.		HASB	8	8					RDA, CDBG
3030 De La Vina St.	Fire House	HASB	5	5					HOME, CDBG
434 E. Ortega St.	Transition House Shelter	Transition House	70	70					RDA, CDBG
Occupancy: Group/Transitional Housing			**169**	**169**	**0**	**0**	**0**	**0**	
Occupancy: Secondary Dwelling									

Property Address	Project Name	Developer	Affordable Units	Extremely Low, Very Low & Low Income Units	Moderate Income Units	Middle Income Units	Upper-Middle Income Units	Senior Units	Funding Sources
10 E Calle Crespis	Secondary Dwelling	Bellone	1	1					
1126 Del Mar Ave.	Secondary Dwelling	Atkins							
1610 Cliff Dr.	Secondary Dwelling	Berenstein	1	1					
2044 Chino St.	Secondary Dwelling	Lugo	1	1					
2122 Cliff Dr.	Secondary Dwelling	Lashkari							
2416 Medcliff Rd.	Secondary Dwelling	Greenbaum							
2511 Chapala St.	Secondary Dwelling	Fossett	1		1				
429 Stanley Dr.	Secondary Dwelling	De Vore	1	1					
817 Litchfield Ln.	Secondary Dwelling	Dansby							
Occupancy: Secondary Dwelling			**5**	**4**	**1**	**0**	**0**	**0**	
Occupancy: Ownership									
121 W. De La Guerra St.	121 W. De La Guerra	121 DLG, LLP	3			3			
1121 San Andres St.	Alegria		2			2			
18 W. Victoria St.	Alma del Pueblo	Victoria Street Partners	5			5			
3558-3578 Modoc Rd.	Arroyo Verde	Ozolins/Kirkhart	11		11				
601 E. Micheltorena St.	Bella Riviera	Cottage Hospital	81			19	62		
1024-1028 Quinientos St. & 2-12 S. Voluntario St.	Campo Feliz	Homes for People	9		9				RDA
1310 San Andres St.	Canto Arroyo	Homes for People	5		5				RDA
414 W. De La Guerra St.	Casa Chula	Homes for People	4		4				RDA
521 W. Montecito St.	Casa Montecito	Casa Montecito	3	3					RDA
350 Chapala St.	Chapala Lofts	B3 Architects	3		3				RDA
354-358 Oliver Rd.	Cliff Drive	Jeffrey	3			1	2		
301-353 N. Calle Cesar Chavez	East Beach Collection	City Ventures	20				20		
535-583 E. Montecito St.	East Beach Collection	City Ventures	16				16		

Property Address	Project Name	Developer	Affordable Units	Extremely Low, Very Low & Low Income Units	Moderate Income Units	Middle Income Units	Upper-Middle Income Units	Senior Units	Funding Sources
211 W. Gutierrez St.	El Zoco	Homes for People	16		16				RDA
3714-3744 State St.	Estancia	KW Fund V-Sandman, LLC	9			9			
3708-3773 Greggory Way	Franciscan Villas	Schuck	34		33	1			
27-35 Greenwell Ln.	Greenwell Acres	Lee Group	5			3	2		
822-826 E. Canon Perdido St.	Habitat for Humanity	Habitat for Humanity	12	12					RDA, HOME
3965 Via Lucero	Habitat for Humanity	Habitat for Humanity	3	3					HOME
612-618 San Pascual St.	Habitat for Humanity	Habitat for Humanity	4	4					HOME, HELP
504-506 W. Islay St.	Islay West		2	2					
3902-3930 Via Diego & 402-432 Via Rosa	La Colina Village	CHC	29		29				RDA
3800-3839 La Cumbre Hills Ln.	La Cumbre Hills	Towbes Group	22			22			
1019 Quinientos St.	La Ventura	Homes for People	10		10				RDA
802-1141 Westmont Rd.	Las Barrancas	Westmont College	41		21	20			
315 W. Los Olivos St.	Los Olivos Village	Bialosky/Peikert	9		9				RDA
22 N. Voluntario St.	Los Suenos	Homes for People	2		2				RDA
2001-2007 Elise Way	Maravillas	Homes for People	4		4				RDA
422-448 Santa Fe Ln.	Mira Las Olas	Vista Oceano La Mesa	7			7			
2014-2016 Modoc Rd. & 2041-2051 Oak Ave.	Oak Creek	Homes for People	5		5				RDA
240 W Alamar Ave.	Oak Park Collection	City Ventures	4		4				
915-919 Bath St.	Old Vic	Homes for People	2		2				RDA
329 W. Ortega St.	Ortega Homes	Homes for People	2		2				RDA
105 W. De La Guerra St.	Paseo Chapala	BDC Paseo Chapala	8		5	3			
1838 San Andres St.	Pinecone	Homes for People	10		10				RDA
33 Ocean View Ave.	Pueblo Andaluz	Homes for People	10		10				RDA, SEMP
1914-1920 Robbins St.	Robbins Court	CHC	6		6				RDA

Property Address	Project Name	Developer	Affordable Units	Extremely Low, Very Low & Low Income Units	Moderate Income Units	Middle Income Units	Upper-Middle Income Units	Senior Units	Funding Sources
831 W. Anapamu St.	Seven Oaks	Homes for People	5		5				RDA
401 Chapala St.	Sevilla	Levy Investments	11			11			
505-509 W. Los Olivos St. & 2121 Oak Park Ln.	Tejado Grove	Westmont College	13			13			
720 Castillo St	The Commons	Homes for People	3		3				RDA
4004 Via Lucero St.	Via Lucero	Via Lucero, LLC	2			2			
417 W. Anapamu St.	Villa Anapamu	Venable	2	1	1				RDA
Occupancy: Ownership			**457**	**25**	**209**	**121**	**102**	**0**	

GRAND TOTALS:			**2345**	**1813**	**309**	**121**	**102**	**750**

Abbreviations	
PSHHC:	People's Self-Help Housing Corportation
CHC:	Santa Barbara Community Housing Corporation
HASB:	Housing Authority of the City of Santa Barbara
MHA:	Mental Health Association
MHP:	Mobile Home Park
RDA:	Redevelopment Agency
AH:	Affordable Housing (RDA Successor)
CDBG:	Community Development Block Grant
HOME:	HOME Investment Partnerships
HRLP:	Housing Rehabilitation Loan Program
SEMP:	Socioeconomic Mitigation Program
HELP:	CalHFA's Housing Enabled by Local Partnerships Program
JOBS:	Jobs-Housing Balance Incentive Grant Program

Affordable Housing Policies & Procedures
APPENDIX B
Density Bonus

I. DENSITY BONUS UNITS UNDER STATE LAW

Density bonus offers a path and incentives for developers to build more residential units than would otherwise by allowed by the zoning ordinance in order to construct housing affordable to very-low-income, low-income, senior, and other qualifying households. A density bonus may be requested either per State Density Bonus law or under the City's Density Bonus program.

Density Bonus allows one density bonus in the amounts specified in either the state law or the City's program. State law allows waivers, concessions, and incentives as identified by the applicant.

Concessions and Incentives are reductions of site development standards (such as the solar access height limitation, setback requirement, floor area ratio, or open-space requirement) or architectural design requirements which result in identifiable and actual cost reductions to provide for affordable housing costs. Developers may seek up to four concessions and incentives, depending on amount of affordable housing provided and the level of affordability of those units.

Waivers may be requested of any zoning development standard if the applicant can demonstrate it is necessary to physically accommodate increased density in the bonus project. Requested waivers may not exceed that which is necessary to accommodate the bonus. Waivers, concessions, and incentives may not be used to waive applicable building code and life safety standards.

Under State Density Bonus law, developments that create 5 or more dwelling units are eligible for a density bonus if a specified percentage of units are provided at specific affordable rents or sale prices. The project must replace any existing rental unit that is subject to rent or price control or is subject to recorded covenant that restricts rent levels to affordable levels for very-low or low-income persons.

If a project meets the criteria of State law (Government Code Section 65915), the project shall be granted a density bonus and incentives or concessions as required by State law, and be processed as required by State law unless otherwise requested by the applicant. Please refer to the Planning handout on State Density Bonus for a summary of the process for calculating State Density Bonus at: http://santabarbaraca.gov/DensityBonusProgram.

II. THE CITY'S DENSITY BONUS PROGRAM

To encourage a broader range of affordable housing types and targeting than specified in state law, the City has developed its own density bonus program.

The City's Density Bonus program offers more flexibility than state law for projects exceeding the density bonus limits under state law, or where state law does not apply. City density bonus projects will require a Lot Area Modification by either the Staff Hearing Officer or Planning Commission and must also comply with the City's Affordable Housing Policies and Procedures.

The state law does not address several issues that the City has faced. What affordability requirements would be appropriate if the developer requests a density bonus greater than 35%? What about projects of four or fewer units, where state density bonus law does not apply? The City's program is meant to complement and expand upon state density bonus law. The procedural elements of the City's density bonus program are outlined in Sections 28.87.400 and 30.145.020 of the Municipal Code. This ordinance specifies the procedures to be followed by developers who request a density bonus, both for projects that meet the criteria set forth in state density bonus law and for projects that do not. The latter projects are to be reviewed by the City "for consistency with the criteria of the City's density bonus program, described in the City of Santa Barbara Affordable Housing Policies and Procedures Manual." The referenced description of the City's density bonus program follows in the sections that follow.

Under the City's program, for projects in which the units developed within the base density are to be ownership units, the density bonus units under the City's program must generally be ownership units as well. The Community Development Director may approve exceptions to this requirement for projects in which each of the density bonus units is either rented for at least 90 years according to the City's requirements for density bonus rental units (explained below), or sold according to the specified requirements.

A. City Density Bonus Requirements for Ownership Units Within the First 35% Density Bonus

Density bonus is sometimes expressed as a percentage. For example, if the zoning and size of a property would allow the development of 20 units but the developer is requesting approval to build 24 units, those extra 4 units would be considered to be a 20% density bonus, because the 4 density bonus units requested would be 20% of the 20 units otherwise allowed under the zoning (the "base density"). Likewise, a project zoned for 9 units that is approved for 12 would receive a 33% density bonus.

For units within the first 35% density bonus, all density bonus units must be sold at prices affordable to middle income households (or upper-middle income if the development is single family houses each on its own lot) at prices which, *on average*, are targeted to the following incomes:

a. For condominiums, 120% of Area Median Income (AMI). Note: for especially large and desirable condominiums that approximate the livability and features that buyers might expect from duplex units, the Community Development Director may approve a target income of 130% of AMI.
b. For duplexes, 130% of AMI.
c. For single family homes on separate lots, 160% of AMI.

The prices for condos and duplexes are targeted to be affordable to middle-income first time homebuyers (that is, with incomes between 120% and 160% of AMI). Buyers with incomes below 120% of AMI are also eligible to buy these units, provided they can qualify under Affordable Housing policy requirements and obtain a mortgage loan. Buyers with incomes above 160% of AMI, adjusted for their household size, would not be eligible. The prices for single-family homes on separate lots are targeted to be affordable to upper-middle income households (160% to 200%

of AMI). Buyers with incomes below 160% might be eligible, but those above 200% would not.

There is no requirement regarding the number of bedrooms in the density bonus units, unless the density bonus units are being counted to satisfy the City's inclusionary housing requirements.

The target incomes listed above are for ownership projects without City subsidies, and are higher than those allowed by any of the subsidy sources available through the City. Projects receiving City subsidies will be required to target the density bonus units to moderate income or below.

B. City Density Bonus Requirements for Ownership Units Above the First 35% Density Bonus

In order to provide incentive to developers to provide additional affordable units under the City's program, higher income targeting and pricing will be allowed for those density bonus units that are receiving greater than a 35% density bonus in the project. For example, on a site zoned for 16 units where 8 density bonus units are approved (for a total of 24 units), the first 6 density bonus units would be considered within the first 35% density bonus. The last 2 density bonus would be above the first 35% density bonus. Such units may be sold to Upper Middle-Income (rather than Middle-Income) homebuyers at prices which, on average, are targeted to the following incomes:

a. For condominiums, 160% of AMI Note: affordable condominium units at this price point are expected to be larger and more desirable than those within the first 35% that are targeted to 120%.
b. For duplexes, 170% of AMI.
c. For single family homes, 180% of AMI.

C. City Density Bonus for Rental Projects

Rental projects that adhere to the State Density Bonus Law and are requesting additional density bonus must meet the following requirements:

1. A lot area modification is required.
2. For units within the first 35% density bonus – the density bonus units must be rented for at least ninety (90) years to Low-Income households at rents targeted, on average, to 70% of AMI or below.
3. For units above the first 35% density bonus – the density bonus units must be rented for at least ninety (90) years to Low-Income households at rents targeted, on average, to 80% of AMI or below.

Note: these target rents are higher than those allowed by most subsidy sources available from the City. Projects receiving City subsidies will generally be required to target the affordable units to 60% of AMI or below.

Affordable Housing Policies & Procedures
APPENDIX C
Tenant-Based Rental Assistance (TBRA) Program Requirements

The Tenant-Based Rental Assistance (TBRA) is a rental subsidy program to help individual households acquire permanent housing through temporary rental subsidies with or without rental security deposits and/or utility deposits. Consistent with the City of Santa Barbara's Consolidated Plan, the City of Santa Barbara has chosen to set aside Home Investment Partnerships Program (HOME) funds in this manner to assist homeless or imminently at risk of being homeless persons in order to secure sustainable rental housing. Similar to the Section 8 housing choice voucher program, the TBRA program follows the tenant and is not tied to any specific housing project. The following program requirements meet or exceed HUD standards for TBRA programs. In the event of inconsistencies between program requirements outlined herein and HUD regulations, HUD regulations will take precedent.

Tenant Selection Criteria for Tenant Based Rental Assistance - Homeless

1. Tenant(s) must be homeless by HUD definition. Subrecipient grantee may give preference to tenants in one of the following categories. Written proof of homelessness is required prior to placing the homeless person in housing. Source documentation to establish homelessness is Attachment B of this program description.

A. Preference Category 1: Tenant must be chronically homeless by HUD definition: An unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more OR has had at least four (4) episodes of homelessness in the past three (3) years. To be considered chronically homeless a person must have been on the streets (lacking a fixed, regular, and adequate nighttime residence) or in an emergency shelter, not transitional housing, during these stays;

B. Preference Category 2: Tenant(s) must be a homeless family with one adult member who has a disabling condition and has been continuously homeless for six months or more OR has had at least two (2) episodes of homelessness in the past three (3) years.

C. Preference Category 3: Tenant(s) must be a homeless family with one adult member who has a disabling condition.

D. Preference Category 4: Tenant must be an unaccompanied homeless individual with a disabling condition.

Tenant Selection Criteria for Tenant Based Rental Assistance – Imminent Risk of becoming Homeless

1. Tenant(s) must be categorized as meeting one following:

   A. At imminent risk of becoming homeless;
   B. Would otherwise become homeless without the assistance;
   C. Need only short- or medium-term assistance in order to restore their finances and return to self-sufficiency upon conclusion of the Program assistance, and
   D. Are willing to participate in case management.

2. Assistance is targeted to households that meet the following criteria:

   A. Eviction Notice – Tenant household has been served an eviction by landlord;
   B. Exhaustion of other possibilities – Tenant household shall have exhausted all other possibilities to pay rent including but not limited to attempting to negotiate a payment plan with landlord for delinquent rent, securing a loan from family members or friends, using savings or other assets to make payments, or finding paying roommates;
   C. Able to work – All adult members of the tenant household shall be ready and willing to seek or maintain full employment, unless disability is verified by a medical doctor.
   D. Self-sufficiency – Tenant household shall demonstrate that upon conclusion of receiving assistance under the Program, Tenant household shall be able to make full rental payments and sustain their housing.

Tenant-Based Rental Assistance (TBRA) – General Program Requirements

1. Tenant must be income eligible and remain income eligible while receiving TBRA. Maximum household income must be at or below 60% of Area Median Income. The U. S. Dept. of HUD establishes and periodically publishes this income by family size for each jurisdiction.

2. As a condition of TBRA, tenant must be willing to participate in a self-sufficiency program and actively working with a case manager. Failure to continue participation in the self-sufficiency program is not a basis for terminating the assistance; however, renewal of the assistance may be conditioned on participation in the program.

3. Rental assistance contracts may be shorter than two years; however, benefits received under the TBRA program cannot exceed the HOME two-year subsidy limit.

Waiting List

The City of Santa Barbara, through its sub-recipient(s), shall maintain a waiting list separate from any other waiting lists in the community, such as the Section 8 waiting list maintained by the City of Santa Barbara Housing Authority. The waiting list will be based upon the tenant selection criteria listed above and the date a complete application is received. Applications shall be date and time stamped when received. An incomplete application shall be returned to the applicant or their case manager within three business days via mail or email. Placement on the waiting list shall be on a first-come first-served basis using the preferences stated in the tenant selection criteria. The waiting list shall be updated every thirty days. Applicants shall be contacted by phone and regular mail and/or email to insure the applicant wishes to remain on the waiting list.

Persons given preference or assistance under the TBRA program may not be prohibited from applying for or participating in other available programs or forms of assistance, particularly rental assistance. Additionally, households on the Section 8 waiting list at the time of selection for the TBRA Program must remain in their place on the waiting list while receiving HOME TBRA.

The sub-recipient shall receive disbursement of TBRA funds committed upon submission of the City-required form in attached hereto as Exhibit A: Tenant-Based Rental Assistance Request for Reimbursement.

Eligible Uses of TBRA Funds

The following are eligible uses of TBRA funds:

1. Monthly rent;
2. Security deposit in conjunction with rent at the same address (A security deposit may not exceed the equivalent of two month's rent for the unit);
3. Utility cost in conjunction with rent at the same address; and
4. Utility deposit in conjunction with rent at the same address;

Ineligible Uses of TBRA Funds

The following situations are **not** eligible uses of TBRA funds:

1. Use of TBRA funds for utility deposit without rental assistance;
2. Payment of rental for a tenant that is also an owner of the housing unit;
3. Tenant is not homeless by definitions stated in the program (Written proof of homelessness is required);
4. TRBA funds cannot be used to displace other available funds such as DSS or Emergency funds;
5. TBRA funds cannot be used for overnight or temporary shelter for homeless persons;

6. TBRA funds cannot be used to reduce the tenant's rent payment to 30% of income. For example, if the household is already receiving assistance under the Section 8 program, the household may not also receive assistance under a HOME TBRA program;
7. TBRA beyond a 24-month approval (24-month limit begins on first day of the first lease); and
8. TBRA to assist homeless persons whose income exceeds 60% of AMI.

Income Verification Requirement

Income eligibility must be determined prior to committing TBRA funds. Income eligibility is based on anticipated income. The annual income is defined as the gross amount of income anticipated by all adult members in a family (18 years old or older) during the 12 months following the effective date of the determination. The HOME TBRA Program uses the **Section 8** definition to determine what is considered as part of the annual income and in accordance with 24 CFR 92.203(d) and the *Technical Guide for Determining Income and Allowances for the HOME Program* [24 CFR 92.209(h)(1)]. When collecting income verification documentation, likely changes in income must be considered. For example, last year's tax return does not establish anticipated income; nor is it an adequate source of documentation.

HOME rule requires TBRA "annual" income re-certifications. Additionally, because this is a special TBRA program for homeless individuals and families, interim re-certifications are also required any time a household income increases or decreases for thirty (30) or more consecutive days or every 90 days, whichever comes first.

Other Verification Requirements

The following requirements must be verified prior to acceptance of an applicant in housing:

1. Verification of homeless living situation is required using the HUD documentation form listed as Exhibit B: Homeless Eligibility Certification Guide. This verification must be received prior to committing TBRA funds.

2. Verification that applicant has case manager who is actively working with the applicant. This verification must be in the form of a letter from the organization or entity working with the homeless individual or family. The letter must include: (a) the name of the case manager; (b) the goals with timelines for the individual or family; and (c) the anticipated amount of time TBRA funds are needed.

3. Homeless individual or family must be a resident of the City of Santa Barbara. This can be verified through last permanent address provided by the applicant through a driver's license, a rent receipt, court records, etc.

Continued Use of TBRA

The homeless family or individual remains eligible for TBRA as long as the case manager documents monthly progress to the sub-recipient. Failure by the client to work toward their goals for two consecutive reporting periods shall release the sub-recipient from obligation to continue TBRA.

Locating an Appropriate Housing Unit

The case manager must assist the homeless family or individual in locating an appropriate housing unit in order to utilize the TBRA funds. Once eligibility is determined, a family may be issued a TBRA coupon while searching for a unit. The coupon is good for thirty days. If no appropriate housing is found within the thirty day period, the sub-recipient must contact the case manager for an additional thirty day extension. (Please see Waiting List for tenant selection.)

Eligible TBRA Units

1. Households may select the housing unit (including shared housing) of their choice within the South Coast area of Santa Barbara County between (Gaviota and the Ventura County line) as long as the monthly rent is considered reasonable in comparison to rents charged for comparable units in the community.
2. Maximum rent subsidy is established by local market conditions or HUD maximum rents (or approved exception rents) for the geographic area.
3. Units may be publicly- or privately owned.
4. Units must meet Section 8 Housing Quality Standards (HQS) and must be free of lead-based paint hazards.

Occupancy Standards

Units subsidized with TBRA must meet or exceed HUD's Section 8 requirements. Inspections to verify compliance is required prior to initial move-in and at least annually during the term of the TBRA.

Basic standards of occupancy are based upon the Section 8 standard of two persons per living/sleeping area. Adjustment in the Section 8 standard shall be considered on an individual basis due to specific household composition. Units that are not appropriate for family size may impact the amount an individual or family pay each month for rent.

Lease Requirements

The term of the lease between the tenant and the landlord must be one year unless both agree otherwise.

The lease agreement may **NOT** contain any of the following provisions:

- Agreement by the tenant to be sued or to admit guilt, or a judgment in favor of the owner in a lawsuit brought in connection with the lease;
- Agreement by the tenant that the owner may take, hold or sell the personal property of the household members without notice to the tenant and a court decision on the rights of the parties (this does not apply to personal property left by the tenant after move-out);
- Agreement by the tenant not to hold the owner or its agents legally responsible for any action or failure to act, whether intentional or negligent;
- Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant;
- Agreement that the owner may evict the tenant (or other household member) without a civil court proceeding where the tenant has the right to present a defense, or before a court decision on the rights of the tenant and the owner;
- Agreement by the tenant to waive a trial by jury;
- Agreement by the tenant to waive tenant's rights to appeal or otherwise challenge a court decision; or
- Agreement by the tenant to pay attorney fees or other legal costs, even if the tenant wins in court.

Termination of Lease

The landlord may elect to terminate or refuse to renew a lease with a tenant receiving TBRA in the following circumstances:

- Proof of activity of a controlled substance for any household member;
- Felony conviction of a crime that is violent or sexual in nature;
- Proof of domestic violence;
- Physical damage to the unit beyond normal wear and tear;
- Failure to pay the tenant portion of the rent required;
- Failure to maintain the unit in a safe and sanitary manner; or
- Failure to consistently work toward self-sufficiency

These circumstances must be in writing in either the lease or in an agreement between the tenant and the sub-recipient.

Minimum and Maximum Payments

Section 8 income standards are used when calculating tenant and TBRA payments.

The TBRA rent limit payment standard is set by local market conditions, HUD's Fair Market Rents for the Area or HUD approved exception rents for the area. TBRA rental assistance shall be the gap between the tenant's payment and the actual rent plus utilities for the tenant's unit (modeled on the Section 8 Certificate Program) at 100% of the local market conditions, Area Fair Market Rent or HUD-Approved Exception Rent.

Tenant rent payment is $50.00 or 30% of monthly adjusted gross income, whichever is greater.

Rent Increases

The Subrecipient must review and approve rent increases by landlords renting to tenants that participate in the TBRA program.

Legal Agreements

Once the tenant has chosen a unit, the sub-recipient shall inspect the unit and approve for TBRA. Three separate agreements are required for TBRA payments:

1. The owner and the tenant must enter into a lease agreement;

2. The owner and the sub-recipient must enter into an agreement in which the owner agrees to abide by the HOME regulations; and

3. The tenant and the sub-recipient must enter into an agreement that the tenant will abide by the TBRA program rules.

TBRA Participating Tenant

Tenants receiving TBRA will be encouraged to enroll in local programs that will provide knowledge of their rights and opportunities for keeping and maintaining a permanent residence.

Exhibit A - HOME TBRA Request for Reimbursement Form on next page

TBRA Client Form
HOME Program

Date Submitted:
Date(s) Covered:

Check the appropriate box:
- [ ] Original Submission
- [ ] Revision

Name and Phone Number of Person Completing Form:
Signature:

A. General and Activity Information:

1. Name of Participant	2. County Code 083	3. IDIS Activity ID #:	4. Activity Name: HOME TBRA

B. Household Characteristics (refer to code below where applicable). Make copies for additional space

	Client	Unit w/in SBCity limits			Deposit	Rent			Household					Documents			Administration					
No.	Last Name	Address/Zip Code of Assisted Unit	Date Insp.	# of Bdrms	**TBRA Security Dep $**	Rent Paid by Tenant $	**TBRA Rent Subsidy $**	TOTAL RENT incl utilities $	Income % Med	Hispanic / Latino? Y/N	Race	**HH SIZE**	**HH TYPE**	Tenant Agrmt. Date signed	Lease Eligible Y / N	Paid To (Owner / Tenant)	1st (Newly) Assisted	# months in TBRA (max 18)	Homeless Y / N	Chronically Y / N	Income re-cert at 12 months Y / N	Checklists complete Y / N
1																						
2																						
3																						
4																						
5																						
6																						
7																						
8																						

C. Total/Subtotal of HOME funds Requested SECURITY DEPOSIT: **$ 0.00**

Total/Subtotal of HOME funds Requested for RENT SUBSIDY: **$ 0.00**

This Page Total Reimbursement Request **$ 0.00**

# of Bdrms	**HOUSEHOLD TYPE**
0 - SRO/Efficiency	1. Single, non-elderly
1 - 1 bedroom	2. Elderly
2 - 2 bedrooms	3. Single Parent
3 - 3 berooms	4. Two Parents
4 - 4 bedrooms	5. Other
5 - 5 or more bedrooms	

Household % of Med
1 - 0 to 30%
2 - 30 - 50%
3 - 50 to 60%
4 - 60 - 80%

Household Race
11 - White
12 Black or African American
13 - Asian
14 - American Indian or Alaska Native
15 - Native Hawaiian or Other Pacific Islander
16 - American Indian or Alaska Native & White
17 - Asian & White
18 - Black or African American & White
19 - American Indian or Alaska Native & Balck or African American
20 - Other Multi Racial

Chronically Homeless:
Individuals who have a disabling condition AND
have been continuously homeless for a year or more OR
have had at least four episodes of homelessness in the past 3 years AND
have been sleeping in a place not meant for human
habitation or in an emergency shelter during that time.

Exhibit B

ELIGIBILITY CERTIFICATION GUIDE

In accordance with the McKinney –Vento Act, the following situations (listed below) constitute a homeless situation. They are the most typical types of homeless situations. If there are other situations that are not described here, contact the HUD Field Office for clarification. Each claim of homelessness must be supported with appropriate documentation. The situations listed below have a number in parentheses which references on pages 2 and 3 the specific documentation required to be in the file. Also included at the end of this Guide is the definition of a chronically homeless person. Only individuals are considered chronically homeless for TBRA programs. HUD does not recognize families as being chronic homeless. It is imperative that you have the proper supporting documentation to demonstrate that a person or family is homeless or that an individual is chronically homeless. **A person is considered homeless only when he/she resides in one of the places described below:**

- In places not meant for human habitation, such as cars, parks, sidewalks, abandoned buildings (on the street). (1 or 2)

- In an emergency shelter. (3)

- In transitional or supportive housing for homeless persons who originally came from the streets or emergency shelters (make sure you have <u>evidence</u> that the person came from the streets or emergency shelter situation). (4)

- In any of the above places but is spending a short time (up to 30 consecutive days) in a hospital or other institution. (5)

- Is being evicted within a week (7 days) from a private dwelling unit and no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing. (6)

- Is being discharged within a week (7 days) from an institution, such as a mental health or substance abuse treatment facility in which the person has been a resident for more than 30 consecutive days and no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing. (7)

- Is being released from prison/jail with no subsequent residence identified and the person lacks the resources and support networks needed to obtain housing. (8)

- Is fleeing a domestic violence-housing situation, no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing. (9)

- Is living in substandard housing that has been condemned. (10)

Please use the checklist below to make sure that the type of supporting documentation is maintained in the participant's or other appropriate file:

__1. (Places Not Meant for Human Habitation) Certification form signed by the outreach worker or service worker verifying that the person or family is homeless. This could include a letter or certification form signed by an outreach worker or service worker from another organization that can verify that the person or family was, in fact, homeless as described in the above definition, or

__2. Written statement prepared by the participant about the participant's previous living place (if unable to verify by outreach worker or service worker). Have the participant sign and date.

__3. (Shelter) Referral agency certification that the participant has been residing on the street or at the emergency shelter (on agency letterhead, signed and dated).

__4. Transitional housing certification (on agency letterhead, signed and dated) if the participant is residing at the transitional housing facility as well as written verification that the participant was living on the streets or an emergency shelter prior to living in the transitional housing facility (see above for required documentation).

__5. Short-term institution (up to 30 consecutive days) certification from institution's staff verifying that the participant has been residing in the institution for 30 days or less. There should also be written verification that the participant was residing on the street or in an emergency shelter prior to the short-term stay in the institution.

__6. Private dwelling eviction statement describing the reason for eviction (signed and dated by person evicting). No formal eviction is required. If unable to obtain an eviction statement, you must obtain a written statement signed and dated by the participant describing the situation. Outreach worker or service worker must document their efforts by providing a verification form documenting that they have made every effort to confirm that the circumstances are true and have written verification describing the efforts and attesting to their validity. The verification form should be signed and dated. Income documentation of the participant to verify that they lack the financial resources and support networks needed to obtain housing must be included.

__7. Institution discharge certification completed by institution staff stating that the participant was being discharged within the week before receiving TBRA assistance. Income documentation of the participant to verify that they lack the financial resources and support networks needed to obtain housing and that without the TBRA assistance, the participant would be living on the street or in an emergency shelter.

__8. Prison/jail release certification by staff stating that the person was released from prison with no residence identified and that the person lacks the resources and support networks needed to obtain housing.

__9. Domestic violence statement from the participant that he/she is fleeing a domestic violence situation. If participant is unable to prepare a written statement, staff should prepare the statement about the participant's previous living situation and have the participant sign and date it. You must document that you have verified the income of the participant and certify that they lack the financial resources and support networks needed to obtain housing and that without the SHP assistance, the participant would be living on the street or in an emergency shelter.

__10. Substandard housing that has been condemned requires an official condemnation notice.

Each homeless person's file should contain the required evidence of homelessness listed in 1-10 above.

ANSWERING "YES" TO A QUESTION ON AN APPLICATION ASKING IF A PERSON IS HOMELESS IS NOT SUFFICIENT EVIDENCE OF HOMELESSNESS.

Definition of a CHRONICALLY HOMELESS PERSON: An unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more OR has had at least 4 episodes of homelessness in the past three (3) years. To be considered chronically homeless a person must have been on the streets or in an emergency shelter (i.e., not transitional housing) during these stays.

NOTE: A subrecipient will be expected to prove that the chronically homeless person has been "continuously" homeless for a year or more OR that the person has had the 4 episodes of homelessness in the past three (3) years. This documentation could be a certification (on letterhead) from an emergency shelter certifying that the person has been staying in a camp, street, car and sometimes in the emergency shelter for the last year as documented by outreach efforts or been a resident in their shelter at least 4 times during the past 3 years.

Also, subrecipient should have documentation related to the client's disability. While we understand that subrecipient might not have or be able to get a doctor's diagnosis of disability, subrecipient must have some narrative documentation related to the disabling condition that most likely results in client's chronic homelessness.

Affordable Housing Policies & Procedures
APPENDIX D
Affordable Marketing Requirements

City of Santa Barbara
Affordable Marketing Requirements

Policy Statement:

In furtherance of the City of Santa Barbara's commitment to non-discrimination and equal opportunity in housing, the City of Santa Barbara has established procedures for developers/owners to follow in order to affirmatively market affordable units constructed, rehabilitated, or acquired under the City's affordable housing programs.

Requirements:

Developers/owners will inform the general public, potential tenants and buyers about available rehabilitated or newly constructed affordable units by carrying out their own marketing. Developers/owners are responsible to pay for costs associated with these requirements in their development or operating budgets. Prior to the issuance of a Certificate of Occupancy and prior to the initiation of marketing the affordable units, the developer/owner must submit a Marketing Plan acceptable to Housing Programs staff and in compliance with the following requirements:

1. Marketing Plan shall describe the proposed advertising methods and staff training the developer will implement in order to comply with applicable federal, State, and local fair housing laws.

2. Marketing Plan shall describe the developer's/owner's proposed methods of providing the general public with information about the available units which shall include, at minimum:
    a. Advertisements/articles in local newspapers
    b. Notifications sent to local housing authorities (for rental projects)
    c. Notifications sent to individuals on the City's Interest List (for ownership projects)
    d. Information available at city buildings and/or community centers
    e. Information available through web pages

3. Marketing Plan shall include an individualized outreach plan that will identify any preferences, if any, to be given and outline action items, such as printing flyers in multiple languages, distribution of information, and specific media outlets appropriate for the persons needing to be targeted.

4. Marketing Plan shall describe the developer's/owner's process for collecting and maintaining information on:
    a. Activities they undertake to inform the general public, including copies of advertisements placed, copies of flyers, and copies of letters to the local housing authorities.
    b. Activities undertaken to inform special populations including advertisements placed in

specialized media and copies of letters, notices, or flyers distributed.

5. Marketing Plan for affordable ownership units shall describe the developer's/owner's proposed process for the distribution and acceptance of the lottery applications and identification of preferences, if any, to be given. For affordable ownership projects without City or other public financing, a preference is given to applicants who live or work in the South Coast area of Santa Barbara County (from Gaviota to the Ventura County line) at the time of application.

Review and Corrective Action:

Housing Programs staff will assess the affirmative marketing efforts of developers/owners.

a. To determine if good faith efforts have been made on the part of the developer/owner, Housing Programs staff will examine affirmative marketing records that developers/owners are required to maintain in accordance with this policy.
b. If the representation of identified groups is not broad or the identified groups are not represented, staff will review the affirmative marketing procedures to determine what changes, if any, might be made to the affirmative marketing efforts.
c. Housing Programs staff will seek the input of developers/owners for their analysis and suggestions concerning the affirmative marketing campaign.

The City of Santa Barbara will take corrective action if it is identified that a developer/owner fails to carry out the required procedures or fails to maintain the records on tenants/homeowners and applicants in accordance with this policy.

a. Every effort will be made to collaboratively improve the effort of developers/owners, prior to taking corrective actions.
b. If a developer/owner continues to fail to meet the affirmative marketing requirements, Housing Programs staff may, after fair warning and an opportunity to correct deficiencies, disqualify a developer/owner from further participation in future City affordable housing programs, as applicable.

Affordable Housing Policies and Procedures

APPENDIX E

Tenant Selection Plan Requirements

City of Santa Barbara
Tenant Selection Plan Requirements

Policy Statement:

In furtherance of the City of Santa Barbara's commitment to non-discrimination and equal opportunity in housing, the City of Santa Barbara has established procedures for developers/owners to follow in order to promote fairness and uniformity in tenant selection for affordable rental units constructed, rehabilitated, or acquired under the City's affordable housing programs. The Tenant Selection Plan establishes a set of policies which are consistently applied to all residents and applicants regarding tenant selection. A sample tenant selection plan is available upon request from City staff.

Requirements:

Prior to the issuance of a Certificate of Occupancy and prior to the initiation of marketing the affordable rental units, the developer/owner must submit a Tenant Selection Plan acceptable to Housing Programs staff and in compliance with the following requirements:

1. Tenant Selection Plan shall include a nondiscrimination statement by the developer/owner in order to comply with applicable local, state, and federal fair housing laws.

2. Tenant Selection Plan shall set forth the essential requirements of tenancy and the grounds on which tenants will be rejected for failing to meet such requirements. At minimum, the Tenant Selection Plan shall describe:
    a. Program eligibility requirements and identification of any preferences or occupancy standards for the project. Households' total annual income cannot exceed the maximum income limits for their household size. Current income limits shall be posted at the developer's/owner's office during regular hours of operation.
    b. Application procedures including availability of applications and how to apply.
    c. Method for processing applications as required by the project's recorded Affordability Covenant including whether the developer/owner will maintain their own waitlist, use the Housing Authority's waitlist, or on a first come, first served basis.
    d. Waitlist procedures, if applicable.
    e. Process for reviewing applications including determining income eligibility, screening procedures, and possible reasons for denial. The HUD method of income calculation, as defined in 24 CFR5.609, will be used to verify income eligibility for affordable rental units unless otherwise stated and approved by Housing Programs staff.
    f. Process for rejection letters and grievance procedure.

g. Annual income recertification procedures. All residents of affordable rental units must cooperate with an income re-certification on an annual basis.

3. Developer/owner shall obtain approval from Housing Programs staff prior to making any changes to the Tenant Selection Plan.
4. Tenant Selection Plan will be made available for public viewing at the developer's/owner's office during regular hours of operation.

Records Maintenance:

Developer/owner shall maintain applicant and tenant records for at least two years and make available to the City upon request.

Review and Corrective Action:

Housing staff will assess the developer's/owner's Tenant Selection Plan.

a. To determine if good faith efforts have been made on the part of the developer/owner, Housing staff may examine applicant and tenant records that owners are required to maintain in accordance with this policy.

The City of Santa Barbara will take corrective action if it is identified that a developer/owner fails to carry out the required procedures or fails to maintain the records on tenants and applicants in accordance with this policy.

a. Every effort will be made to collaboratively improve the effort of developers/owners prior to taking corrective actions.
b. If a developer/owner continues to fail to follow the Tenant Selection Plan Requirements, Housing staff may, after fair warning and an opportunity to correct deficiencies, disqualify a developer/owner from further participation in future City affordable housing programs, as applicable.

Affordable Housing Policies & Procedures

APPENDIX F

SAMPLE CALCULATION OF INITIAL MAXIMUM SALE PRICE – MIDDLE-INCOME UNIT

The following table shows a sample calculation of the initial maximum sale price of a condominium unit targeted to 120% of the AMI (AMI = $87,800 of April 2020).

INITIAL MAXIMUM SALE PRICE FOR MIDDLE-INCOME UNITS

Number of bedrooms:	**1**	**2**	**3**
Maximum income (% of AMI):	160%	160%	160%
Target income (% of AMI):	120%	120%	120%
Unit size multiplier factor:	0.75	0.9	1.0
Target income for affordability:	$79,020	$94,824	$105,360
Housing cost/income ratio for calc.:	35%	35%	35%
Max payment for housing expenses:	$2,305	$2,766	$3,073
Down payment used for calc.:	10%	10%	10%
Mortgage interest used for calc.:	4.30%	4.30%	4.30%
Association fees used for calc.:	$483	$483	$483
Property tax payments:	$345	$433	$491
Mortgage payments:	$1,477	$1,850	$2,099
Amount of loan this will amortize:	$298,461	$373,834	$424,151
Plus down payment:	$33,162	$41,537	$47,128
Maximum sale price (rounded):	**$331,600**	**$415,400**	**$471,300**

For the purpose of determining the sale price, the City uses the prevailing rate charged by local institutional lenders on a zero point 30-year fixed rate mortgage at the time of final Planning Commission or Staff Hearing Officer approval of the project. Because the down payment is less than 20%, there was 0.25% added to the mortgage interest rate to cover the cost of the mortgage insurance premium or 80-10-10 financing.

These calculations are intended as examples only; the parameters used in the calculations will be determined by City staff on an annual basis.

The initial maximum sale price calculation is sensitive to changes in the interest rate of the mortgage financing and will also vary with changes in the AMI and homeowner association fees.

Affordable Housing Policies & Procedures

APPENDIX G

Affordability Covenant and Option to Purchase (2021 version)

Recording Requested By:

When Recorded Mail To:

City of Santa Barbara
Community Development Dept.
Attn: Housing Programs / MB
P.O. Box 1990
Santa Barbara, CA 93102-1990

No Fee Per Govt. Code § 6103

APN: _____
Property Address: _____
Santa Barbara, CA

AFFORDABILITY COVENANT AND OPTION TO PURCHASE

This Affordability Covenant and Option to Purchase (hereinafter "Covenant") is dated as of this _____ day of _____, by and between _____ (hereinafter "Owner") and _____ (hereinafter "Seller") and the City of Santa Barbara, a body politic, (hereinafter "City").

This Covenant applies to the real property commonly known as _____, Santa Barbara, California, which is more fully described in the Legal Description attached and incorporated by this reference herein (hereinafter "Property").

This Covenant rescinds and supersedes the previous affordability control document on the Property, which was titled _____ recorded on _____ as Instrument Number _____ of Official Records, Santa Barbara County.

RECITALS:

WHEREAS, the City has provided development incentives to this project (such as allowing development at greater density than City zoning allows in the absence of a special permit, or other incentives); and,

WHEREAS, Seller and Owner have benefited from these development incentives through the opportunity to purchase the Property at a price substantially below fair market value; and,

WHEREAS, the intent of the City in providing these development incentives is to preserve the affordability of the Property for persons with incomes within a specified range and,

WHEREAS, subsequent Owners will benefit from the limitation on the purchase price of the Property which this Covenant requires; and,

WHEREAS, the intent of Seller is to preserve through this Covenant the affordability of the Property for persons with incomes within a specified range and to assign to the City the right to enforce compliance with this Covenant;

NOW, THEREFORE, in consideration of the benefits received by the Parties, the Parties agree as follows:

I. DEFINITIONS

A. "Owner": (i) _____, (ii) any subsequent purchaser (whether a Transferee or non-occupant titleholder), devisee, successor trustee, or grantee or (iii) any other holder of title to the Property or any portion thereof or interest in the property except City-approved lenders or easement holders.

B. "Non-Occupant Titleholder": See Section XIX.

C. "Encumber" "Encumbrance": Shall include any mortgage, deed of trust, lien, security agreement or other instrument intended to secure an obligation or indebtedness.

D. "Institutional Lender": Any financial institution, such as a bank, an insurance company or a savings and loan organization, whose lending practices are subject to and regulated by mortgage finance regulations.

E. "Household": Persons who will live in the property as their primary residence and who are unrelated, related by blood, marriage, law, or are registered domestic partners. Persons (including sons and daughters) aged 18 and older who live away from home for purposes of either work or study and return to the household periodically will not be counted as household members.

F. "Gross Household Income": The combined gross income of all members of the Household who are 18 years or older, including all wages, salaries, profits, interest payments, rents, income earned from investment assets, and all other forms of earnings, before any deductions or taxes. For self-employed individuals, gross income is business income less approved business expenses. The Community Development Director or the Director's designee will determine the method of calculating Gross Household Income and the method of inputting income from investment assets.

G. "Housing Expense Ratio": The percentage of Gross Household Income that goes toward paying housing expenses, including the mortgage loan payment(s), mortgage insurance premium (if applicable), hazard insurance premium, property taxes, and homeowners' association dues (if applicable). In the case of an adjustable rate mortgage, the mortgage loan payment will be calculated using the fully indexed rate or the start rate, whichever is greater. Housing Expense Ratio is calculated by dividing total monthly housing expenses by monthly Gross Household Income.

H. "Total Debt-to-income Ratio": The percentage of Gross Household Income that goes toward paying all recurring debt payments, including housing expenses and other debts such as credit card payments, car loan payments, student loan payments, child support payments, alimony payments, legal judgments and all other debt payments. Total Debt-to-income Ratio is calculated by dividing total monthly debt payments by monthly Gross Household Income.

I. "Area Median Income": The annual median family income for the Santa Barbara area as published by the U.S. Department of Housing and Urban Development (HUD). In the event such income figures are no longer published, or have not been updated for a period of at least eighteen (18) months, the City may use or develop such other reasonable and comparable substitute figures as it may choose.

J. “Principal Place of Residence”: The place where a person or persons reside on a full-time basis for a minimum of ten months out of each calendar year, unless otherwise reviewed and pre-approved by the City.

K. “Resident”: A person who provides written verification of current residency or employment within the area bounded by the Pacific Ocean on the south, Ventura County line on the east, the Gaviota tunnel on the west and the ridge-line of the Santa Ynez mountains on the north generally known as the South Coast portion of Santa Barbara County.

L. “Residential Real Estate”: Residential real property including single family dwellings, undeveloped residentially-zoned land, mobile homes and manufactured housing.

M. “Transfer”: Any sale, assignment, or transfer, either voluntary of involuntary, or by operation of law, whether by deed, contract of sale, gift, devise, bequest, trustee’s sale, deed in lieu of foreclosure, or otherwise, of any interest in the Property, including but not limited to, a fee simple interest, joint tenancy, community property, life estate, leasehold, or an interest evidenced by a land contract by which possession of the Property is transferred and Owner retains title.

N. “Transferee”: A person who receives property being transferred.

O. “Effective Date”: The date Covenant is recorded in the Official Records of Santa Barbara County Recorder’s Office or absent recordation the first date written above.

P. “Maximum Sale Price”: See Section X.

II. TERM AND ENFORCEABILITY

A. Term

This Covenant shall bind and the benefit hereof shall inure to the Owner, his or her heirs, legal representatives, executors, successors in interest and assigns, and to the City, its successors, designees, or assigns until ninety (90) years from the Effective Date of this Covenant. If an owner occupies the unit for the full term in compliance with this Covenant, this Covenant shall expire and the Owner may sell the Property to any transferee for any price. However, years of ownership are not transferable. If the Owner sells the Property during the term of this Covenant, the City-qualified Transferee will be required to sign and record a new Covenant that begins a new 90-year period of price and occupancy restrictions. This requirement will continue for each new owner of the unit.

B. Covenants Running With the Land; Equitable Servitude

The Property is held and hereafter shall be held, conveyed, hypothecated, encumbered, leased, rented, used, and occupied subject to these covenants, conditions, restrictions and limitations. All of the herein-stated covenants, conditions, restrictions and limitations are intended to constitute both equitable servitudes and covenants running with the land.

C. Binding Effect

Any purchaser of the Property or of any portion of or interest in the Property, by the acceptance of a deed therefore, whether from Owner or from any subsequent owner of the Property, or by the signing of a contract or agreement to purchase the same, shall, by the acceptance of such deed or by the signing of such contract or agreement be deemed to have consented to and accepted the covenants, conditions, restrictions and limitations set forth herein.

D. Enforceability

In order to preserve through this Covenant the affordability of the Property for persons with incomes within a specified range, the Owner hereby grants and assigns to the City the right to review and enforce compliance with this Covenant, and in furtherance of this right, grants to the City an Assignment of Rents, described under Section XIII of this Covenant, and an Option to Purchase the Property, described under Sections III and XIV of this Covenant, and assigns to the City any proceeds payable to the Owner from a foreclosure or deed in lieu of foreclosure in excess of the Maximum Sale Price, as described in Section XII.B of this Covenant.

III. DEED OF TRUST: SUBORDINATION; DEFAULT; NOTICE TO CITY; RIGHT TO CURE

A. Subordination

This Covenant shall be subject and subordinate to the lien of a City-approved first deed of trust which secures a loan made by an Institutional Lender (hereinafter "Institutional First Deed of Trust"), subject to the following conditions and limitations:

1. Limit on Amount

The amount of the Institutional First Deed of Trust shall not exceed the following amount: the City approved purchase price paid by Owner, less the approximate balance on City financing (if any) as of the date of this Covenant (noted in Section XX below). The subordination of this Covenant pursuant to this Section III shall not apply to any Institutional First Deed of Trust that exceeds such amount, absent specific written approval from the Community Development Director.

2. Default; Right to Cure

In the event of default under any deed of trust, including the City-approved Institutional First Deed of Trust, the City shall have the same right as the Owner to cure the default and redeem the Property prior to foreclosure sale. Such redemption shall be subject to the same fees, charges and penalties which would otherwise be assessed against the Owner. Nothing herein shall be construed as creating an obligation on the part of the City to cure any such default nor shall this right to cure and redeem operate to extend any time limitations in the default provisions of the underlying deed of trust or mortgage.

3. Right to Exercise Option

Any default under a deed of trust, including the Institutional First Deed of Trust, shall trigger the City's right to exercise its option to purchase the Property, as described more fully in Section XIV below, and the City may exercise its option to purchase the Property pursuant to such provisions.

4. Request for Notice of Default

The holder of the Institutional First Deed of Trust shall be under no obligation to provide notice of default to the City other than as required pursuant to a duly filed request for notice of default under Section 2924b of the Civil Code. In the event the City elects to exercise such option to purchase, subsequent to a default on the Institutional First Deed of Trust, and notwithstanding any language contained herein to the contrary with regard to the rights of the City, the City must complete such purchase no later than the end of the period established by Section 2924c of the Civil Code for the reinstatement of a monetary default under the deed of trust.

B. Rights of Institutional Lender

Subject to these above-stated conditions and limitations, this Covenant shall not impair the rights of such Institutional Lender, or such Lender's assignee or successor in interest, to foreclose or take title to the Property pursuant to the remedies in the Institutional First Deed of Trust, or accept a deed in lieu of foreclosure in the event of default by a trustor under the Institutional First Deed of Trust. Subsequent to the Institutional Lender acquiring title through foreclosure sale or accepting a deed in lieu of foreclosure under

such Institutional First Deed of Trust, this Covenant shall be terminated and of no further force or effect as an encumbrance against the Property (or any owners, tenants or encumbrancers in the chain of title), and the Institutional Lender or subsequent transferee may sell the Property to any purchaser at any price or lease the Property to any tenant at any rental amount, without thereafter being subject to this Covenant. At the request of a Lender or its title insurer, City will execute a quitclaim deed or other recordable instrument in order to confirm the termination of this Covenant.

C. Notice to City by Owner

Prior to recordation, Owner shall notify City of any deed of trust, financing instrument or mortgage to be recorded against the Property, and shall provide the City with the information needed by the City to record a Request for Notice of Default. Note that the City's approval of any financing is required under Sections V and XI below.

IV. OCCUPANCY, LEASING AND OWNERSHIP OF OTHER REAL PROPERTY

A. Property as Principal Residence

Owner shall occupy the Property as his/her/their Principal Place of Residence as defined herein. During the time the Property is vacant while being actively offered for sale by Owner, this owner-occupancy requirement shall not apply; however, Owner may not rent the Property during such period.

B. Rental of Property

Owner shall not rent or lease the Property without prior written approval by the City. Owner may rent out a room in the Property without City approval as long as all Owner(s) of record continue to reside in the Property as his/her/their principal place of residence.

1. Modification of Occupancy Restrictions
The City Community Development Director or the Director's designee may consider modifications to these occupancy requirements and rental restrictions if Owner is in compliance with this Covenant and demonstrates need due to illness, temporary employment relocation, sabbatical, extended travels, or other good cause, but in no case will the term of the vacancy be more than 12 months consecutively.

2. Approval of Rental Agreement
Any lease or rental agreement for the Property approved pursuant to this section shall conform to the affordability requirements established by the City, as these requirements are in effect at the time of the proposed lease or rental. In no case shall homeowners association (HOA) dues be included to increase the monthly rental rate above that which is dictated by the applicable affordability requirements. Any lease or rental without prior written approval by the City violates this Covenant, and will result in an assignment of all rents due or collected, as described in Section XIII below.

3. Submittal of Approved Rental Agreement to City
As soon as possible after Owner has requested and obtained the City's written approval to rent the Property, Owner shall provide a copy of the lease or rental agreement, the names of the renters, the rent being charged, and the new temporary address of the Owner. If the terms of any lease or rental agreement are amended, City shall be notified in writing. Owner shall notify City when he/she/they re-occupy the property.

C. Ownership of other Residential Real Estate

Owner may NOT have any form of ownership or ownership interest in whole or in part, (including long-term leaseholds, partnerships, and limited partnership or limited liability ownership) in or to any other Residential

Real Estate as defined herein, at time of application for ownership or concurrently with the ownership of this Property.

D. Modification of Ownership Requirements

The City Community Development Director or the Director's designee may consider modification to Item C above if Owner demonstrates need or other good cause. For example, the Director, or designee, may consider waiving the requirement when the ownership interest in another property is a small fractional interest, if the property has minimal value compared to the value of the affordable unit, or in the case of an existing City affordable owner (in good standing) who has outgrown their unit due to birth or adoption and wishes to purchase a larger affordable unit. In the event an existing owner purchases another affordable unit, they will be required to concurrently sell their existing affordable unit to a City-qualified household and execute a new affordable covenant in effect at the time of the purchase. Years of ownership are not transferable. Ownership of any other residential real estate in whole or in part without written approval by the City violates this Covenant, and will result in default and remedies as described in this Covenant.

V. REQUIREMENTS FOR CITY APPROVAL OF TRANSFER, REFINANCE OR OTHER ENCUMBRANCE

A. No Further Encumbrance or Lien

Except as provided in Section III above, Section V.B and Section XI below, the Property shall not be transferred, financed, refinanced, or otherwise encumbered in any way without the prior written approval of the City Community Development Director or the Director's designee.

B. Exceptions

The following transfers are exceptions to the requirements of Section V.A above and do not require prior written approval by the City Community Development Director or the Director's designee; however, Owner is required to notify the City in writing upon any of the following transfers and provide relevant documentation to the City, and, upon request of the City, a legal opinion from a licensed California attorney providing a legal opinion as to the effect and validity of the documents:

1. Death
A transfer resulting from the death of an Owner where the Property is transferred to the spouse or registered domestic partner who was a co-owner prior to the transfer.

2. Marriage
A transfer by an Owner where the Owner's spouse or registered domestic partner becomes the co-owner of the Property.

3. Divorce
A transfer resulting from a decree of dissolution of a marriage or legal separation from a property settlement agreement incidental to such a decree by which a spouse who is an Owner becomes the sole Owner of the Property.

4. Trust
A transfer by an Owner into an inter vivos trust in which the Owner is named the sole Trustee and the sole Beneficiary during the Owner's lifetime.

VI. CITY OPTION TO PURCHASE UPON SALE OR OTHER TRANSFER

A. Grant of Option and Right of First Refusal

In consideration of the benefits received by Owner, Owner hereby grants to the City, and the City hereby accepts an Option to Purchase, which the City may exercise anytime Owner intends to sell or transfer the Property.

B. Notice to City

Anytime during the term of this Covenant when Owner intends to offer to sell, convey, or transfer the Property or any portion thereof, Owner shall give to the City written notice at the address and in the manner specified in Section XVI.F below, of its intent to sell the Property with a summary of the proposed transfer.

C. Exercise of City Option

The City Option may be exercised at the times and on the conditions set forth below:

1. The City shall have 30 days after receipt of written notice from Owner to respond in writing to Owner of the City's intent to exercise its Option to purchase.

2. The City shall have an additional 45 days to purchase the Property at the Maximum Sale Price calculated as per Section X below. The length of any delays caused by Owner or Owner's agents shall extend such time. Owner shall be responsible for all costs and provide all reports as is customary for sellers of residential property in Santa Barbara, including title insurance, zoning inspection, termite report and any other maintenance repairs as disclosed by property and/or termite inspection report(s).

D. Term of Option

The term of the City Option shall be from the Effective Date of this Covenant until the expiration of the affordability term.

VII. SALE OF PROPERTY TO PRIVATE PARTY

A. Owner's Right to Sell

If the City does not exercise its right to purchase the Property during the affordability term pursuant to Section VI above, this Section VII shall take effect and Owner shall have the right to sell or transfer the Property to a City-qualified Occupant Purchaser (hereinafter "Transferee"), subject to the terms and conditions of this Section.

B. Approval of Sale by City

1. The City shall oversee the transfer or sale of the Property to any Transferee. No transfer or sale of the Property shall occur under this Section without the prior written approval of the City Community Development Director or the Director's designee.

2. The City may approve a proposed transfer of the Property provided that Owner is not in default under this Covenant, and that the City does not elect to exercise its Option to Purchase, and that the City has determined that Owner and Owner's proposed Transferee has complied with all of the requirements and provisions of this Covenant and affordable policies then current.

3. Owner or Transferee shall submit to the City the proposed sale contract, escrow instructions, and all other related documents that shall set forth the terms of sale or transfer of the Property. Contract shall incorporate information including but not limited to the following:

a. Sales Price

b. Price to be paid by the Transferee for Owner's personal property, if any.

c. All other amounts of money or other consideration, if any, concerning the Property to be paid by the Transferee to the Owner or any other person or entity, and reason such payment is made.

d. The down payment to be paid by the Transferee

e. Financing terms and provisions

4. Transferee shall submit to the City Community Development Director or the Director's designee, information including but not limited to the following:

a. Documents to support identification

b. Documents to support residency

c. Documents to support income and assets

d. Documents to support recent bank activity

e. Documents to support current debts

f. Documents to support loan terms and provisions

g. Documents to support compensating factors as determined on a case-by-case basis

5. The information provided shall be used by the City to determine the eligibility of the Transferee. Qualification documentation is valid for a 90-day period. If Transferee has not purchased a home within this period, updated qualification documentation is required.

6. All information and documentation provided to the City is subject to third-party verification.

7. The City reserves the right to collect a reasonable fee to cover the City's costs of verifying information and administering its rights and obligations under this Covenant.

VIII. ELIGIBILITY OF TRANSFEREE UPON PURCHASE

Owner shall not sell or transfer the Property to any Transferee who does not satisfy all of the following eligibility requirements:

A. Each Transferee shall be a Resident as defined herein.

B. Each Transferee shall certify his/her/their intent to occupy the Property as his/her/their principal place of residence as defined herein.

C. Transferee shall not have any form of ownership or ownership interest in Residential Real Estate (as defined herein) at the time of application for the purchase of the Property. The Community Development Director, or designee, may consider waiving this requirement for good cause. For example, the Director, or designee, may consider waiving the requirement when the ownership interest in another property is a small fractional interest, if the property has minimal value compared to the value of the affordable unit, or in the case of an existing City affordable owner (in good standing) who has outgrown their unit due to birth or adoption and wishes to purchase a larger affordable unit. In the event an existing owner purchases another affordable unit, they will be required to concurrently sell their existing affordable unit to a City-qualified household and execute a new affordable covenant in effect at the time of the purchase. Years of ownership are not transferable.

D. If Transferee owned Residential Real Estate at any time during the two years prior to the application to purchase the Property, Transferee's total equity (net proceeds) in such Residential Real Estate shall not

exceed fifty percent (50%) of the purchase price of the Property.

E. Transferee's annual Gross Household Income (as defined herein) shall not exceed _____ percent (___%) of the Area Median Income (AMI) in Santa Barbara County, adjusted for household size as published by the U.S. Department of Housing and Urban Development (HUD).

F. No income will be counted or inputted from those assets used for the down payment and closing costs on the Property, except to the extent that the down payment exceeds twenty percent (20%) of the purchase price.

G. The maximum value of Transferee's assets, excluding retirement accounts subject to IRS rules, cannot exceed three (3) times the purchase price of the Property. The Community Development Director or the Director's designee may consider waiving this maximum asset requirement on a case-by-case basis for good cause.

H. Transferee's Housing Expense Ratio (as defined herein) shall be no more than forty percent (40%). The Community Development Director or the Director's designee, on a case-by-case basis, may consider a waiver of these requirements for good cause. For example, the Director may consider approving a slightly higher Housing Expense Ratio in the event Transferee requires a co-signer to obtain a loan.

I. Transferee's Total Debt-to-income Ratio (as defined herein) shall not exceed fifty percent (50%).

J. Transferee's first mortgage loan must be amortized over the loan period and cannot include graduated interest, graduated payments, interest-only payments, balloon payments or negative amortization. If Transferee obtains a second mortgage loan as part of their purchase money financing, the second mortgage loan may have an interest only-payment and/or a balloon payment. Adjustable rate mortgages are allowed as long as the loan terms satisfy the preceding requirements for a first mortgage loan and second mortgage loan. The Community Development Director or the Director's designee may consider waiving this financing terms requirement on a case-by-case basis for good cause.

K. Transferee is required to provide a down payment of at least five percent (5%) of the purchase price. Transferee's down payment cannot exceed forty percent (40%) of the purchase price. The Community Development Director or the Director's designee may consider a down payment in excess of forty percent (40%) or an all cash purchase (perhaps from an inheritance or divorce settlement) only if Transferee meets all other qualification requirements including verification that they have sufficient monthly income to support the required forty percent (40%) Housing Expense Ratio under a theoretical sixty percent (60%) loan-to-value mortgage that is fully amortized over 30 years.

L. Transferee may receive all or a portion of the down payment as a gift provided the gift does not exceed twenty percent (20%) of the purchase price and the donor provides a gift letter acceptable to the Transferee's lender and the City. Gifts include funds given to Transferee within 12 months prior to the purchase.

M. Transferee is allowed to have a non-occupant title holder (co-signer) for financing purposes if needed to help the Transferee qualify for a loan. For purposes of calculating the Housing Expense Ratio and Total Debt-to-income Ratio, the income of the non-occupant title holder (co-signer) shall not be included.

N. A credit ("FICO") score below 620 shall disqualify a buyer from owning an affordable unit. The Community Development Director or the Director's designee may consider waiving the credit score requirement on a case-by-case basis for good cause (such as mitigating circumstances for the low credit score).

O. Transferees of units with three or more bedrooms must have a Household (as defined herein) of three or more persons. The Community Development Director or the Director's designee may consider waiving this household size requirement for good cause in cases where the buyer demonstrates a need for a large unit or where necessary to prevent undue hardship.

P. All adults (18 and older) in the Household are subject to eligibility requirements. All adult residents must be owners of record and included on all loan documentation (including Promissory Note and Deed of Trust). The Community Development Director or the Director's designee may consider waiving this requirement on a case-by-case basis for good cause. For example, the Community Development Director or the Director's designee may consider waiving this requirement for a household member younger than age twenty-four (24) who is the child of a titleholder and will reside in the property as their Principal Place of Residence (as defined herein).

IX. REQUIREMENTS FOR APPROVED SALE TRANSACTION

A. Price

The sale price shall not exceed the amount calculated pursuant to Section X below.

B. Recordation of Replacement Covenant

Upon transfer each Owner and Transferee shall execute and cause the recordation of a new Affordability Covenant and Option to Purchase ("Replacement Covenant") which shall replace this Covenant and be substantially similar to this Covenant. The Replacement Covenant shall contain revisions to reflect any changes to the City's adopted affordability policies. Years of ownership are not transferable or assumable. The Replacement Covenant shall have a term of 90 years.

C. Escrow Documents

Each Owner and Transferee shall approve and sign City's escrow instructions, which instruct escrow regarding the requirements of this Covenant, City financing, if any, and City disclosures, if any. Owner and Transferee shall provide the City with a copy of the final purchase/sale contract, settlement statement, signed escrow instructions, and any other document that the City may reasonably request.

D. Unapproved or Fraudulent Sale

In the event a sale or transfer is made in violation of the terms of this Covenant or false or misleading statements are made in any documents or certifications submitted to the City for its approval of the sale or transfer, the City may declare a default under the Covenant. The City shall also have the right to file action at law or in equity to force the parties to terminate and rescind the sale contract and declare the sale void notwithstanding the fact that the sale or transfer may have closed and become final as between the Seller and Owner. In any event, any costs, liabilities or obligations incurred by the Seller and Owner for the return of any moneys paid or received in violation hereunder or for any costs and legal expenses incurred by City in the enforcement of this Covenant, shall be borne by the Seller and Owner, and not by the City. The Seller and Owner shall hold the City and its designees harmless and shall fully indemnify the City including, but not limited to, payment of all City fees and costs, for any action the City takes to enforce the terms of this Covenant.

X. MAXIMUM SALE PRICE CALCULATION

A. Calculation of Maximum Sale Price

The sale price of the Property shall not exceed the Maximum Sale Price as defined herein, except as provided in Section III above. The Maximum Sale Price of the Property is the City-approved purchase price paid by Owner (less the amount of mid-year adjustment, if applicable) adjusted by the percentage change in the Area Median Income (AMI) for the Santa Barbara area during the period in which the Owner owned the Property and occupied it in compliance with the requirements of this Covenant. In some cases a "mid-year adjustment" will apply, as specified below.

B. Mid-Year Adjustment

To allow for a projected change in the Maximum Sale Price between publication dates of the AMI, the Maximum Sale Price may be changed by a "mid-year adjustment" calculated as follows:

1. The City-approved purchase price paid by Owner, multiplied by the following estimate of the as yet unpublished change in the AMI:

One-half of the average annual percentage change in the AMI over the previous two years divided by twelve and multiplied by the number of months between the last publication of the AMI and the date of sale of the unit. Note: this adjustment is based on “one-half of the average” in order to apply a conservative estimate of the change in the AMI.

2. However, no mid-year adjustment shall be included unless at least four months have passed between the last publication of the AMI and the date of calculation of the sale price of the Property.

3. If the "mid-year adjustment" is included in the sale price at any sale, on the next sale the price calculation will be adjusted as follows: the amount of mid-year adjustment which was included in the price paid by Owner shall be subtracted from the price paid by owner. This is to assure that the price is not changed by both the mid-year adjustment (which is based on a future estimate of the AMI), and the actual change in the AMI which later became known.

For Owners not in violation of the Covenant, the City’s policy is that an Owner’s calculated Maximum Sale Price will not be less than their purchase price. However, the calculated Maximum Sale Price is not a guarantee that the Owner will be able to sell for that price due to market conditions or due to specific project requirements. If the Property sells for less than the calculated Maximum Sale Price, such lower price becomes the basis for the calculation of the Maximum Sale Price upon the next sale of the Property.

C. Owner Improvements Adjustment

To help assure continued affordability to subsequent Transferees, no price increase or other reimbursement will be allowed for property improvements made by the Owner. The Owner is of course free to make improvements for the Owner's benefit and enjoyment, but the Owner will not be compensated for such improvements upon sale of the property.

The Community Development Director or Director’s designee may consider, on a case-by-case basis, exceptions to the policy against price increases for property improvements. The minimum cost threshold for exception consideration is $2,000 and the following shall apply:

1. The improvements must be new, permanent and substantial (maintenance repairs shall not be considered). Only new permanent and substantial improvements to the kitchen and/or bathroom(s) or upgrade of flooring shall be considered.

2. Improvements that are considered decorative, luxury, nonessential, or maintenance shall not be considered. Examples include, but are not limited to painting, wall coverings, window coverings, replacement of carpeting, and lighting.

3. Owners are required to contact the City to obtain program policy regarding owner improvements prior to the commencement of work.

4. Owners must document that improvements will be completed with all required City permits and that the improvements meet the requirements imposed by their Homeowners Association and recorded CC&Rs.

In order for the City to consider an Owner’s request for an exception to allow for a price increase for improvements made by the Owner, the Owner must submit the following documentation:

a. Before and after photos; and
b. Proof of payment for the work that was completed, such as paid invoices or receipts; and
c. A copy of any necessary permits, if required; and
d. An approval letter from the HOA, if required

The allowed price increase for approved improvements shall not exceed the <u>lower</u> of the following:

1. Fifty percent (50%) of the actual out-or-pocket cost of approved improvements paid by Owner (as verified by paid receipts); or
2. Ten percent (10%) of the Maximum Sale Price as calculated at the time of Owner's request and prior to improvements.

The allowed price increase for approved improvements shall only be added to the owner's calculated Maximum Sale Price upon resale and not for a refinance.

D. Other Requirements and Conditions

1. No price increase whatsoever shall be allowed during such time, if any, that Owner was in violation of any requirement of this Covenant.

2. Transferee or Transferee's designee and Housing Programs staff or staff's designee shall be afforded reasonable opportunity to inspect the property for damage or deferred maintenance. If there is property damage or if there is substantial deferred maintenance, Owner shall correct to City's satisfaction. Housing Programs staff may lower the Maximum Sale Price by the amount needed either to repair the damage or to correct needed maintenance.

3. The Owner may not require a Transferee to pay any commissions or other costs of sale typically paid by sellers of residential real property. The Owner cannot require the Transferee to pay the listing agent; likewise, the Transferee cannot require the Owner to pay the selling agent. Absent a 'cooperating' provision in the listing agreement, a Transferee of a City affordable unit may contract with a real estate agent for representation and pay the negotiated fee for this service.

4. The price paid to Owner by the Transferee for Owner's personal property must be disclosed to the City in writing during escrow, and price paid shall not exceed the current fair market value of such personal property.

5. Under no circumstances will the Property's calculated Maximum Sale Price be increased by the amount of monthly HOA dues/assessments or the conversion of an increase of HOA dues to a special assessment. The City has no control over HOA dues, but the Community Development Director or the Director's designee may consider requests for resale price increases due to a special HOA assessment imposed on a City affordable housing project. Such requests will be considered on a project-by-project basis, subject to prior written notice to the City and only upon pre-approval by the Community Development Director or designee.

XI. FINANCING REQUIREMENTS

A. Approval by City

The terms of all financing secured by or recorded against the Property require pre-approval by the City, whether at the time of purchase or at any other time. Purchase financing and refinancing must be provided by a licensed Institutional Lender (as defined herein).

B. Requirements for Refinance Approval

1. Owner is in full compliance with the City's affordability requirements.

2. The terms of the new loan are more favorable than the old loan.

3. Owner's Housing Expense Ratio will not be greater than forty percent (40%).

4. No additional cash is taken out other than the loan costs unless approved in advance by the City. If refinancing results in cash to Owner, Owner's total secured loans-to-value ratio shall not exceed eighty percent (80%).

5. All owners of record are listed on all loan documentation (including the Promissory Note and Deed of Trust).

6. The City may review an owner's credit and may decline approval of proposed refinancing in cases where the borrower's credit is poor.

7. The Community Development Director or designee may consider approving interest-only refinanced loans on a case-by-case basis when no cash is taken out, the borrowers have excellent credit, and the loan-to-value ratio is favorable. Refinances which may result in negative amortization including “reverse mortgages” will not be approved.

8. If the City has provided financing secured by the Property, the City may agree to subordinate the City financing if City is assured that its security interest and the owner's ability to repay remain strong.

9. If the City’s approval of the Owner taking cash-out is conditioned upon the pay-off of certain installment debt, such installment debt payments shall occur and be documented through the refinance escrow.

C. Modification of Financing Requirements

The City Community Development Director or the Director’s designee may consider modifications to Item B above if Owner demonstrates need or other good cause.

D. Lien or Encumbrance

Owner may not take such action against the Property as may result in a Lien or other Encumbrance being recorded against the Property unless such Lien or Encumbrance is first approved in writing by City in its sole and absolute discretion. In the event a Lien or other Encumbrance is recorded against the Property without such prior approval by City, such an unapproved Lien or Encumbrance may be violation of this Covenant and City may thereafter declare a Default has occurred and pursue all remedies as set forth in Article XIII and Article XIV herein.

XII. BEQUEST OR FORECLOSURE, INSURANCE AND CONDEMNATION

A. Transfers by Operation of Law

In the event of a transfer of the Property by operation of law such as by devise, bequest, foreclosure on any financing, lien or encumbrance not exempted under Section III above, or deed in lieu of foreclosure on any such financing, to a person who does not meet the requirements of Section VIII, the transferee or the estate of the decedent shall be bound by the provisions of this Covenant; however, the City shall not declare a default before allowing such person a reasonable period of time, not less than 90 days, to convey the Property to an eligible purchaser in conformance with all of the provisions of this covenant, including the Maximum Sale Price.

B. Transfer Proceeds

In the event that the Property is transferred through foreclosure, a deed in lieu of foreclosure or a trustee's deed upon sale, a default in a contract of sale, or through any other means, for the purpose of curing or preventing the default by Owner on a loan or obligation, any amount of the sale price which is over and above the Maximum Sale Price calculated according to Section X above, and which would otherwise be payable to Owner after full satisfaction of the lien-holder or lender's loan and costs, shall be due and owing to the City in consideration of the development assistance given by the City.

C. Insurance Proceeds

Any hazard insurance proceeds received by the Owner which are not used to repair or rebuild the Property, and any condemnation award collected by the Owner, shall be distributed as follows:

1. First, to lenders according to the recording priority of their deeds of trust against the Property, as provided by law.

2. If any funds remain after the lenders have been paid, then to the Owner, up to but not to exceed the net amount (after payment of encumbrances) that Owner would have received under a sale at the Maximum Sale Price calculated according to Section X above.

3. If any funds remain after the Owner has been paid, the remainder shall be paid to the City.

XIII. DEFAULTS AND REMEDIES: ASSIGNMENT OF RENTS

A. Notice of Default

Upon any violation of the provisions of this Covenant the City may declare a default under this Covenant by delivering written notice thereof to the Owner. Upon the declaration of a default the City may apply to a court of competent jurisdiction for specific performance of the Covenant, for an injunction prohibiting a proposed sale or transfer in violation of this Covenant, for a declaration that the prohibited transfer violates this Covenant and is, therefore, void, or for any such other relief as may be appropriate.

B. Assignment of Rents

Owner hereby assigns to City the right to receive the rents due or collected during the entire period the Property is occupied in violation of any of the terms of this Covenant.

C. Remedies Not Exclusive

The remedies stated herein shall not be exclusive, but shall be cumulative to all other remedies and rights the parties may lawfully exercise.

XIV. PURCHASE OPTION UPON DEFAULT

A. Option to Purchase Upon Default

In addition to the remedies provided the City elsewhere in this Covenant, Owner hereby grants to the City the option to purchase the Property effective upon the declaration of a default.

The option to purchase may be exercised upon a default under this Covenant or upon default under any notes Owner has executed in favor of the City, or any deed of trust or any other lien secured by or recorded against the Property including but not limited to a judgment lien, tax lien or Homeowner's Association lien. The City shall have thirty (30) days after declaring a default or receiving notice that a default is declared on any other obligation secured by this Property to notify the Owner of its decision to exercise its option to purchase. Not later than sixty (60) days after the certified mailing of the notice to exercise its option, the City or its assignee shall purchase the Property for the following default purchase price:

The lesser of the following:

1. The Maximum Sale Price calculated per Section X above as of the date of default; or
2. The appraised value of the property as determined by a state licensed appraiser approved by the Owner and City; or
3. The amount necessary to pay the balance due on any City-approved financing

The default purchase price, as determined, shall then be reduced by ten percent (10%) to cover the City's resale costs and further reduced by the cost of damage or maintenance repairs as reasonably determined by the City. The City may also enforce the covenant through the courts.

XV. CITY REQUIREMENTS AND AUTHORIZATIONS FROM OWNER

A. City Requirements from Owner

1. Annual Certification

a. Each year on October 15, or on such other date as specified by the City in writing, Owner shall submit an Annual Certification, signed by Owner under penalty of perjury, which includes Owner's statement that Owner has occupied the Property and complied with all provisions of this Covenant, or includes Owner's explanation of any financing, occupancy or other violation of any provision of this Covenant.

b. The Annual Certification required under this Section shall be mailed or delivered as follows:

City of Santa Barbara, Community Development Department

Attn: AHHS-Housing Programs
P.O. Box 1990
Santa Barbara, California, 93102-1990

or to such other person or address designated by the City.

c. Failure to provide a report within 30 days of the specified date, or any misrepresentations on the report, shall constitute a default under this Covenant.

B. Owner's Authorizations to City

1. Right of City to Inspect Property

Owner shall permit City staff the right to enter and inspect the Property during normal business hours upon at least 72-hours advance notice to Owner. An Owner's refusal to permit inspection will be a default under the Covenant.

2. Right of City to obtain status of Owner's loans

Owner authorizes City to contact Owner's lender or lenders to obtain current loan status at any time without further written authorization from Owner.

3. Right of City to procure reports to confirm compliance with terms of this Covenant.

Owner authorizes City to procure a background report, credit report, and any other screening reports deemed necessary by the City in order to confirm Owner's compliance with this Covenant. Consent is granted by Owner to procure such reports at any time during the term of this Covenant. In the event that information from the report(s) is utilized in whole or in part in making an adverse decision, Owner will be provided a copy of the report(s) and a description in writing of applicant's rights under the federal Fair Credit Reporting Act.

XVI. ADDITIONAL PROVISIONS

A. Assignment

The City may assign its rights and delegate its duties hereunder without the consent of Owner. Upon such assignment the City shall notify the Owner.

B. Purchase of Other Residential Real Estate

The Owner covenants that they have not and will not execute any other agreement to purchase or purchase any other residential real property during their ownership of the Property.

C. Severability

If any one or more of the provisions contained in this Covenant shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Covenant and this Covenant be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

D. Choice of Law; Venue

The terms of this Covenant shall be interpreted under the laws of the State of California.

E. Notices

All notices required herein shall be sent by certified mail, return receipt requested, to the Owner at the address of the Property and to the City at: Community Development Department, Attn: Housing Programs, City of Santa Barbara, P.O. Box 1990, Santa Barbara, CA 93102-1990, or such other address that the City may subsequently provide in writing to the Owner.

F. Recordation of Request for Notice of Default, Request for Notice of Delinquency

Owner agrees to permit the City to record a Request for Notice of Default and a Request for Notice of Delinquency at any time.

G. Conflict of Terms Clause

This Covenant is a document that is required in implementation of the AHPP. In the event of inconsistencies between this Covenant and the City's policies as described in the most recently published Affordable Housing Policies and Procedures, as amended from time to time, then the terms and conditions of this Covenant will control. In cases where this Covenant is silent or does not address a certain policy item, the City's policy as described in the Affordable Housing Policies and Procedures Manual in effect at the time of this Covenant shall be applied.

XVII. DECLARATION OF EACH SELLER

A. I have been in compliance with the affordability and owner-occupancy requirements of the City during the entire period during which I owned the Property, and this sale is in compliance with those requirements.

B. I have not rented the Property except as has been approved by the City in writing.

C. The sale price of the Property in this transaction is the amount listed in Declaration by City below, and I have not received and will not receive any payment or consideration from the purchasers except as is disclosed in the purchase contract and escrow documents which have been delivered to and approved by the City.

D. I understand that any false statements or misrepresentations to the City in this transaction will constitute a default under this covenant, and may constitute fraud.

XVIII. DECLARATION OF EACH OWNER

A. The financial and other information provided by me is true and complete.

B. I have received a copy of this Covenant and agree to comply with the all of the requirements of this Covenant.

C. I will occupy the Property as my principal residence.

D. No persons or entity will be on title to the Property other than as listed below as Owner or Non-Occupant Title-holders. I understand that written pre-approval from the City is required before anyone else may be listed on or removed from title.

E. The purchase price of the Property is the amount listed in the Declaration by City, below. I have not paid and will not pay any consideration to the seller, or seller's real estate commissions, or any costs normally paid by sellers, except as already disclosed in the purchase contract and escrow instructions which have been delivered to and approved by the City.

F. I understand that any false statements or misrepresentations to the City in this transaction will constitute a default under this covenant, and may constitute fraud.

XIX. DECLARATION BY NON-OCCUPANT TITLE-HOLDERS (IF ANY)

A. I appear on the title to the Property as a tenant in common only because I am a co-signer for the purpose of helping the Owner qualify for the City-approved purchase money loan. My equity interest in the Property will not be greater than one percent (1%) of the total equity of all owners of the Property, and I will receive no money from the sale of the property in excess of this one percent, except as provided in Section XIX.C below.

B. I acknowledge and agree that I have not been approved by the City as an eligible transferee, and I am not permitted to occupy the Property at any time, and that my occupancy of the Property will constitute a default under the Covenant.

C. If I am named in the will of the Owner I may receive an equity interest upon the death of the Owner. However, unless at that time I am certified as an eligible transferee by the City, I will not be permitted to occupy the Property, and will be required to sell my interest to an eligible transferee under the provisions of the Covenant.

D. I understand that any false statements or misrepresentations to the City in this transaction will constitute a default under this covenant, and may constitute fraud.

XX. DECLARATION BY CITY

A. The City has reviewed the financial information and other information submitted by the undersigned Owner. Based on this information the City has found the Owner to be an eligible Transferee as required by the Covenant.

B. The sale price of the Property in this transaction (the City approved purchase price paid by Owner) is _____ AND 00/100 DOLLARS ($_____). This price includes the following projected increase ("mid-year adjustment") in the sale price for the period from the latest change in the AMI to the date of sale: $____. At the date of this sale the Area Median Income = $_____. For information purposes only, the amount of City financing (if any) provided at the initial sale of the property was $0.

THIS ____-BEDROOM UNIT IS RESTRICTED TO QUALIFIED _____ INCOME OWNERS

IN WITNESS WHEREOF, the Parties have executed this Covenant as of the date first written above.

SELLER:

_____

_____

OWNER:

_____

_____

CITY OF SANTA BARBARA, a body politic:

_____
Community Development Director

NOTE: This Covenant will be recorded; a Notary Public must acknowledge the signature of the parties except for approval as to form and content.

Approved as to form:

_____
Sarah Knecht
Assistant City Attorney

Approved as to content:

_____
Laura Dubbels
Housing & Human Services Manager