

POLICY SUMMARY
LOW-INCOME HOUSING PRODUCTION SUBSIDY PROGRAM

I. **PROCEDURAL**

- A. The Housing Opportunity Fund is terminated and replaced by the Low Income Housing Production Fund ("The Fund"). The funds under this program are intended for production of housing.
- B. All Housing Authority funds allocated for (1) production of new housing units including shared housing and the development of mobile home parks; or (2) rehabilitation or modification of existing structures, where this rehabilitation leads to new housing units, and (3) related activities, such as capacity building or operating costs, but only as directed by funding sources, shall be placed in the Fund and used solely in accordance with this Policy Summary. Transitional and emergency housing shall be funded from other programs.
- C. Housing Authority administrative costs related to the Fund shall be budgeted in a separate account.
- D. This Policy Summary is adopted, and may be amended, by the Housing Authority and the City Council.

II. **ELIGIBLE ACTIVITIES**

- A. Money shall not be appropriated from the Fund except to directly aid in (1) the production of new housing units; (2) the rehabilitation or modification of an existing structure for the purpose of creating new housing units; or (3) related activities, as directed by funding sources.
- B. The use of the Fund for operating or administrative costs of a housing development or facility of any kind is prohibited except as directed by funding sources. The funds may be used to acquire existing structures only for the purpose of converting them into housing units which did not previously exist or when the structures are part of an underdeveloped property.

III. **ELIGIBLE SPONSORS**

- A. Non-profit or for-profit sponsors are eligible to receive funds for the activities described at II-A, above.
- B. Only sponsors who are qualified to perform the activities for which they request funds shall receive money.

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- C. "Qualification" for this purpose means that the sponsor has prior experience, adequate staff, and is financially stable.

IV. LOANS

- A. No grant of money in the Fund shall be allowed.
- B. Loans to sponsors shall be on such terms as the Housing Authority may decide in each individual case. Non-interest loans are allowed.
- C. Loans shall be evidenced by a promissory note and loan agreement, and shall be secured by deed of trust on the property undergoing development except where the Housing Authority judges no security or alternative security acceptable.

V. LOAN AMOUNTS

- A. Maximum loan schedule may be revised by the Housing Authority and the City Council.
- B. Maximum loan allocated to any single project shall comply with Loan Schedule.
- C. A waiver of the maximum amounts may be made based on findings of special circumstances and overriding concerns by the Housing Authority.

VI. FUND ALLOCATIONS

The statements under this section are intended as goals.

- A. Not less than 100% of the funds attributed to in-lieu fees will be used in accordance with the General Plan to benefit very low and low income households. This will be reviewed on an annual basis to determine if adjustments are needed.
- B. Not less than one-third of the annual expenditures from the Fund shall be used to benefit very-low income households.
- C. Not more than one-half of the annual expenditures from the Fund in any given year (and one-quarter over three years) shall be used for acquisition of land for which a development application, at the time of the loan, is judged premature by the Department of Community Development.

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- D. Not less than three-quarters of the annual expenditures of the Fund shall be allocated to the production of new conventional housing units.
- E. No funds may be allocated to units required under the City's Allocation Plan, except to make such units more affordable than otherwise required by the Plan.
- F. Funds may be allocated to units to be created on land dedicated to the Housing Authority under provisions of the Allocation Plan.
- G. Funds shall not be allocated to any organization for administrative costs, market studies, land research or other purpose not directly tied to a specific project for which a loan agreement may be prepared and funds allotted as required by this Policy Summary except as provided under Sections IIA(3) or VII.

VII. SPECIAL ACTIVITIES/CIRCUMSTANCES

Loans may be made for research or land purchase agreement deposits (not to be confused with acquisition) in an amount not to exceed \$20,000 per entity annually. Funds may not be used for operating costs. Funds may only be used under this category where there are no other available sources.

VIII. OCCUPANCY RESTRICTIONS

Any unit assisted by the Fund will be occupied by very low or low as defined below:

- A. Very low income is defined as approximately 50% of median income adjusted for family size.
- B. Low income is defined as 80% or less of median income adjusted for family size.

IX. AFFORDABILITY RESTRICTIONS

- A. Very Low Income units shall be rented or sold at a price affordable to a household at 50% of median income for not less than thirty years.
- B. Low Income units shall be rented or sold at a price affordable to a household at 60% of median income for not less than thirty years.

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- C. "Affordability" is defined as rent or debt service payments not exceeding 30% of 50% of median income (very low income households), or 30% of 60% of median income (low income), less a utility allowance as established by the Housing Authority.
- D. All units assisted by the Fund shall be affordable to low or very low income households, and occupied by such households.

X. COST RESTRICTIONS

- A. No loan shall be made or subordinated at any time to senior liens where the projected total cost of producing the project exceeds the Maximum Cost Schedule, which may be revised by the Housing Authority and City Council.
- B. A waiver of the maximum amounts may be made based on findings of special circumstances and overriding concerns by the Housing Authority.