

7017 1000 0000 8790 8707

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE

CERTIFIED MAIL



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Extra Services & Fees (check box, add fee as appropriate)

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Adult Signature Required \$

Adult Signature Restricted Delivery \$

Postage \$

Total Postage and Fees \$

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Sent To
LANA L. CANOVA
Street and Apt. No., or PO Box No.
25036 EL COTIJO LANE
City, State, ZIP+4®
MISSION VIEJO, CA 92691
PS Form 3800, April 2015 PSN 7530-02-000-9053 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

LANA L. CANOVA
25036 EL COTIJO LANE
MISSION VIEJO CA
92691

9590 9402 3047 7124 5060 36



2. Article Number (Transfer from service label)

7017 1000 0000 8790 8707

COMPLETE THIS SECTION ON DELIVERY

- A. Signature Agent Addressee
- B. Received by (Printed Name) C. Date of Delivery
- D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type

Adult Signature Restricted Delivery

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Certified Mail Restricted Delivery

Collect on Delivery Restricted Delivery

Insured Mail (over \$500)

Priority Mail Express®

Registered Mail™

Registered Mail Restricted Delivery

Return Receipt for Merchandise

Signature Confirmation™

Signature Confirmation Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

MONTEREY COUNTY

HOUSING AND COMMUNITY DEVELOPMENT

Erik V. Lundquist, AICP, Director



HOUSING, PLANNING, BUILDING, ENGINEERING, ENVIRONMENTAL SERVICES

1441 Schilling Place, South 2nd Floor
Salinas, California 93901-4527

(831)755-5025
www.co.monterey.ca.us

March 10, 2022

Lana L. Canova
25036 El Cotijo Lane
Mission Viejo, CA 92691

RE: Inclusionary Housing Unit at 114 Circulo de Casitas, Monterey, CA 93940

Dear Ms. Canova,

On March 1, 2022 our office received the letter from you dated February 24, 2022 where you inform the County of Monterey that your mother, Marjorie Moore, moved out of her inclusionary unit in March 2020, and that you rented the inclusionary unit to a military family. Also, that Marjorie Moore passed in November 2021. You did not inform our staff of these two aforementioned events when you contacted our office on February 16, 2022. We are sorry to hear about your mother's passing. Our sincere condolences to you and the rest of Ms. Moore's family.

Secondly, we want to inform you that the Inclusionary Unit at 114 Circulo de Casitas in Monterey needs to be transferred to an eligible Moderate Income household.

The Inclusionary Housing Program of the County of Monterey provides an opportunity for very low, low and moderate income households to purchase an affordable unit; affordability is ensured by requiring affordability restrictions and resale controls.

As you know, your mother's home at 114 Circulo de Casitas in the Pasadera Housing Subdivision is an Inclusionary Housing Unit and is Deed Restricted to maintain affordability. Please refer to the attached copy of the **Inclusionary Housing Agreement** Ms. Marjorie Moore executed when she purchased the unit in March of 2001. As stated in the **Inclusionary Housing Agreement**, there is a prohibition against selling, leasing, assigning or transferring the unit to any person or entity without the County's written consent. Written consent will be granted only if the sale or transfer is consistent with the County's goal of preserving low and moderate priced housing in Monterey County, which for your unit would be to a County-qualified household having an annual income of no more than 120% of the area median income. You may also read more about the County's Inclusionary Housing Program in the enclosed **Administrative Manual**.

This is also to notify you that if Marjorie Moore did transfer the property to a Trust, such transfer was not approved by the County of Monterey. Upon decease of Marjorie Moore, owner, the property must be sold to a qualified purchaser and cannot be inherited by a child unless such child qualifies for moderate income status and will be occupying the inclusionary unit as his/her primary residence.

The County of Monterey, just like many other areas, is in desperate need of affordable housing. The County has an Inclusionary Housing Waitlist with hundreds of persons awaiting on an opportunity to purchase an affordable home for their family.

Enclosed is a **Notice to Sell Inclusionary Housing Unit** form. We request that you complete and return the form to our office in the enclosed self-addressed envelope within 14 calendar days from the date of receipt, via certified mail.

A copy of the **Resale Procedures** has been enclosed for your information as well.

Please do not hesitate to contact this office with any questions or inquiries regarding this letter. You may ask for Rosa Camacho-Chavez at (831) 755-5389, or me at (831) 755-5391. We are here to assist you in initiating the transfer of your mother's inclusionary unit to an eligible moderate income household.


Sincerely,

Darby Marshall
Housing Program Manager

Enclosures: Inclusionary Housing Agreement (Document 2001033434)
County of Monterey Inclusionary Housing Program Administrative Manual
Resale Procedures
Notice to Sell Inclusionary Housing Unit

217733-M

Recording Requested By
and
When Recorded Return To:
County of Monterey
Environmental Resource Policy
Housing and Redevelopment
29 Bishop Street, Suite 203, Pajaro, CA 95076
Attn. Andreas L. Mathews, Support Staff

DOCUMENT: 2001033434	Titles: 1/ Pages: 15
 *2001033434*	Fees.... 50.00
	Taxes....
	Other....
	AMT PAID \$50.00

As applied only to Lot No. 14, Tract No. 1342, this agreement is an addendum to the Agreement between Rancho Monterey, LLC, a Delaware Limited Liability Company (Developer) and the County of Monterey, recorded November 6th 1998, Document 9877553 of the Official Records at the Office of the Recorder, Monterey County as well as its related exhibits that may have updated the original agreement, but were recorded later.

INCLUSIONARY HOUSING AGREEMENT

(Resale Restrictions on Inclusionary Housing Unit and Option to Purchase Real Property)

THIS INCLUSIONARY HOUSING AGREEMENT is entered into at Monterey County, California, as of March 19, 2001, between **MARJORIE/MOORE, A SINGLE WOMAN** ("Owner"), and the COUNTY OF MONTEREY, a political subdivision of the State of California ("County"),

RECITALS:

- A. Owner is the owner of the real property located in the County of Monterey, California, at **114 CIRCULO DE CASITAS, MONTEREY, CA 93940, (APN 173-131-014-000)**, within the Final Maps (as defined in the California Subdivision Map Act) for Tract No. 1342 which has been filed of record with the Office of the County Recorder of Monterey County, California known as **PASADERA** ("Development") as described in Exhibit "A" attached to this Agreement.
- B. The development of **PASADERA** (Development) has resulted in the construction and sale to the public of single-family dwellings.
- C. County has designated the following lot within Development to be an "Inclusionary Unit" as defined in Section 18.40.040 of the COUNTY CODE:

<u>Lot No.</u>	<u>Tract No.</u>
14	1342

Each of the Lots, which are Inclusionary Units, are hereinafter referred to as a "Unit".

OLD REPUBLIC TITLE COMPANY has requested that this document be recorded as an **AGGREGATED TITLE ONLY** if it has not been established for regularity, continuity or effect on the title to the property herein described.

- D. In full satisfaction of the requirements of COUNTY CODE Chapter 18.40 with respect to Tract 1342, Owner has agreed to sell the Units at a price effectively restricted by County to make the Units "affordable" in accordance with the provisions of Chapter 18.40 of the COUNTY CODE.
- E. In return for and in consideration of the opportunity for Owner to sell the Unit and purchasers to purchase the Unit at "affordable prices" and in consideration of and for other good and valuable consideration, Owner, on behalf of himself and with the express intent to bind all those defined as "Owner" in Paragraph 2(e) below, hereby grant to County the option to purchase the Units ("Option") on the following terms and conditions.
1. **Good Faith Effort To Sell The Units.** Owner shall make a good faith effort to sell the Units to purchasers who meet the eligibility requirements of Chapter 18.40 of the Monterey County Code. Good faith effort shall constitute the following:
 - (a) Sell the units to persons having an annual income no greater than 120% of the median income for Monterey County as defined by the U.S. Department of Housing and Urban Development (H.U.D.) as adjusted for family size.
 - (b) Inform the Housing Authority and Environmental Resource Policy, Housing and Redevelopment of intent to sell inclusionary units by mailing a "Notice of Intent to Sell Inclusionary Units."
 - (c) To perform any preliminary verification of households selected to purchase inclusionary units from owner. Preliminary verification includes review of pre-qualification statement from a lender and income tax statements to determine the household's income eligibility with county median income guidelines.
 - (d) To pay the Housing Authority for the services rendered in verifying and certifying eligible households. The fee for such services shall not exceed \$300 for each household submitted for verification.
 - (e) To deliver a copy of this Agreement to any household certified as an eligible household by the Housing Authority.
 - (f) Request, if necessary, a sixty (60) day extension of the marketing period and a sixty (60) day extension of the escrow period pursuant to Paragraph E.3.(a)(ii) of this Agreement.

- (g) Notwithstanding the foregoing, if Owner requests a Hardship Waiver in writing from the obligation to seek to sell the Property as described hereinabove, and the County grants said Hardship Waiver, the sixty (60) day period set forth in 3.(a.)(i.) below shall commence upon the County's receipt of the Owner's request for Hardship Waiver. A Hardship Waiver shall include job loss, death in Borrower's immediate family, divorce or other event or circumstance which the County reasonably believes warrants a Hardship Waiver.

2. **Exercise and Administration of Option.**

- (a) County may administer and/or exercise the Option itself.
- (b) County may from time to time designate another entity, person or organization to administer and/or exercise the Option ("Designee").
- (c) County or its Designee may assign the Option to an individual private buyer who meets the eligibility requirements of, and is approved by, County.
- (d) After the exercise of the Option by County, its Designee or any assignee of County or its Designee in the manner prescribed in this Agreement, County or its Designee may assign or reassign the right to purchase the Unit to any substitute individual private buyer who meets the eligibility requirements of, and is approved by County; provided, however, that any such subsequent assignment shall not extend any time limits contained in this Agreement.
- (e) The Option contained in this Agreement shall not apply to the first purchaser owner nor to any subsequent sale to a purchaser owner who meets the eligibility requirements for a low or moderate income buyer under Chapter 18.40 of the Monterey County Code or to the transfer of a Unit by the Owner if the transfer is a permitted transfer described in Paragraph 11 of this Agreement or to the sale of a unit which is subject to a permitted encumbrance as described in Paragraph 12 of this Agreement, pursuant to a foreclosure sale or deed in lieu, or any subsequent transfer of title to the unit following such foreclosure or deed in lieu transfer.

3. **Method of Exercising Option.**

(a) Notice to Sell and Notice of Acceptance.

- i) Except for permitted transfers of a Unit as set forth in Paragraph 11 below and sale of a unit which is subject to a permitted encumbrance as described in Paragraph 12 of this Agreement, pursuant to a foreclosure sale or deed in lieu, or any subsequent transfer of title to the unit following such foreclosure or deed in lieu transfer, if Owner wishes to sell or otherwise dispose of a Unit, Owner shall notify County in writing ("Notice to Sell"). The Notice to Sell shall state the street address of the Unit and Owner's full name(s), and shall be personally delivered or deposited in the United States mail, postage prepaid, first class, certified return receipt requested, addressed to the County of Monterey, Environmental Resource Policy, Housing and Redevelopment, 29 Bishop Street, Suite 203, Pajaro, CA 95076 and to the County Housing Authority of the County of Monterey addressed to: 123 Rico Street, Salinas, CA 93907. County, its Designee or any assignee of County or its Designee shall then have the right to exercise the Option by delivery of written notice ("Notice of Acceptance") by personal delivery or upon deposit into the United States mail, postage prepaid, first class certified mail, to Owner at the address of the Unit at any time within sixty (60) days following the actual receipt by County of the Notice to Sell.
- ii) Should Owner fail to sell the unit within sixty (60) days, or complete a transfer of title to purchasers who meet the eligibility requirements of the Inclusionary Housing Ordinance during the following sixty (60) day escrow period, Owner may request from County one additional sixty (60) day marketing period and sixty (60) day escrow period before County exercises its Option.
- iii) County shall have sixty (60) days from the date it receives notice of the owner's failure to close escrow to exercise its option to purchase the Property at the Option Price. Upon such exercise, the County shall have sixty (60) days from the date of exercise of its option to consummate the Escrow Closing.
- iv) In the event that County abandons, or fails to exercise, or elects not to exercise the Option within sixty (60) days after it actually receives the Notice to Sell or within an additional sixty (60) day marketing period requested by the owner, County shall cause to be recorded in the Office of the Recorder of County, a notice of intent not to exercise the option with respect to the Unit, and shall deliver a copy of the notice to Owner addressed to the street address of the Unit. The notice shall be recorded within fifteen (15) days following County's decision not to exercise its Option but not later than one hundred twenty (120) days from the Owner's original notice of intent to sell.

- v) In the event that County abandons, or fails to exercise, or elects not to exercise the Option within sixty (60) days after it actually receives the Notice to Sell or within an additional sixty (60) day marketing period requested by the owner, or in the event that upon the County's exercise of the Option, County fails to consummate Escrow Closing at the end of sixty (60) days from the date of exercise of the Option, Owner may then sell the Unit for a fair market price determined by an appraisal approved by County. In the event an escrow is opened related to the sale of the Unit at fair market price, Owner shall be entitled to be paid that amount up to but not to exceed the net amount that Owner would have received under the formula in Paragraphs 6 and 7 upon the close of escrow plus any transaction costs related to the sale. County will submit to the Escrow Agent a demand for payment for the balance of surplus, if any, in an amount which equals the appraised value minus the amount that owner would have received under the formula in Paragraphs 6 and 7. Upon close of escrow related to the sale of the Unit at fair market price, title to the Unit shall be taken free and clear of the covenants, restrictions and terms of this Agreement and the Option granted to County. County shall deliver a full release of this Agreement to escrow for recordation. The fair market price purchaser of the Unit and any subsequent transferee may thereafter sell the Unit without regard to this Agreement or the Option granted to County.
- (b) **Notice of Default Under Deed of Trust.** Owner covenants to cause to be filed for record in the Office of the Recorder of County, a request for a copy of any notice of default and of any notice of sale under any deed of trust encumbering the Unit. The request shall specify that any such notice shall be mailed to the County of Monterey, Environmental Resource Policy, Housing and Redevelopment, 29 Bishop Street, Suite 203, Pajaro, CA 95076 and to the Housing Authority of the County of Monterey addressed to 123 Rico Street, Salinas, CA 93907. County shall have the right but not the obligation to cure any default under any deed of trust encumbering a Unit. In the event Owner encumbers a Unit with a non-purchase money deed of trust or mortgage, an act which is in violation of this Agreement, any notice of sale under the non-purchase money deed of trust or mortgage given pursuant to CIVIL CODE SUBSECTION 2924(f) may, at the election of County, constitute a Notice to Sell pursuant to Paragraph 3(a) and the option to purchase shall take priority over any trustee's sale or foreclosure of a non-purchase money deed of trust. In the event Owner fails to file such request for notice, County's option to purchase shall, at its election, run from the date County obtains actual knowledge of sale or proposed sale. County shall exercise its election as provided in the previous two sentences only after (i) County has reasonably determined that Owner either does not intend to or is not in a financial position to cure the default or defaults under the deed of trust; and (ii) depositing in the United States mail, first class certified, postage prepaid, written notice of its election, addressed to the owner at the street address of the Unit and to the beneficiary under the deed of trust, if the

deed of trust is in default. In the event County elects not to exercise its option upon default, any surplus to which Owner may be entitled shall be paid as follows: that portion of surplus, if any, up to but not to exceed the net amount that Grantee would have received under the formula in Paragraphs 6 and 7 had County exercised its option to purchase the Unit on the date of the foreclosure sale, shall be paid to Owner on the date of the foreclosure sale; the balance of surplus, if any, shall be paid to County. Anything contained in this Agreement to the contrary notwithstanding, the provisions of this Agreement and the Option granted to County, shall be subordinate to any purchase money deed of trust encumbering a Unit, but County shall have the right to cure any default under a deed of trust encumbering a Unit.

- (c) **Sale, Transfer or Conveyance of Interest in Unit Without Notice to Sell.** If Owner fails to provide County with a properly delivered Notice to Sell pursuant to Paragraph 3(a) and County learns of (i) a pending sale, transfer or conveyance of the Unit; or (ii) the actual transfer, sale or conveyance of the Unit, County shall have the right to exercise the Option pursuant to the terms of this Agreement AT ANY TIME THEREAFTER AT ITS ELECTION, however, any such option must be exercised by written notice delivered to the property owner no later than 60 days from the date the County learns of such pending or actual sale, conveyance, or transfer. Owner expressly understands and agrees that only a properly delivered Notice to Sell shall result in the period for exercise of the Option being limited to sixty (60) days pursuant to Paragraph 3(a)(i), or an additional sixty (60) days marketing period when requested by Owner.

4. **Escrow.**

- (a) **Opening of Escrow.** If and in the event that County, its Designee or any assignee of County or its Designee exercises the Option, close of escrow for the purchase of the Unit shall be on or before forty-five (45) days following receipt by Owner of the Notice of Acceptance, or such later date as may be mutually agreed upon by Owner and County, County's Designee or assignee. The escrow shall be opened upon delivery to Owner of the Notice of Acceptance or as soon thereafter as possible, or at such later time as may be mutually agreed upon by Owner and County, County's Designee or assignee.

- (b) **Payment From Escrow.** At the close of escrow for the sale of the Unit, Owner shall pay through escrow to County or its Designee a resale fee for administration of the resale program in an amount determined by County, which in no event may exceed four percent (4%) of the actual purchase price for the Unit, as computed pursuant to Paragraphs 6 and 7 below, and any prepayment fee charged by the holder of a trust deed encumbering the Unit.

5. **Terms of Purchase.**

- (a) **Cash.** The purchase price shall be paid in cash at the close of escrow, or as otherwise provided by mutual agreement of Owner and County, County's Designee or assignee. Owner acknowledges and agrees that the percentage amount of any deposit required pending close of escrow shall not exceed that customarily required for the purchase of single-family residences in County at the time of the escrow opening. Closing costs shall be allocated between the buyer and seller according to the customary practices in Monterey County. If Inclusionary Owner sells the unit, he or she is required to certify eligibility of potential buyer and obtain certification of physical condition and correction of any deficiencies in property through the County or the County's designee and agree to pay the Monterey County Housing Authority for such services.
- (b) **Assumption of Financing.** Owner agrees to cooperate with County, its Designee or assignee in permitting the purchaser of the Unit purchasing pursuant to the Option, to assume any deed of trust encumbering the Unit, if the purchaser so requests and otherwise is eligible to assume. In the event County purchases a Unit pursuant to the Option and if eligible to do so, takes subject to or assumes an existing deed of trust encumbering the Unit, County shall make the payments on the note secured by the deed of trust and waives any defense to payment based upon the doctrine of sovereign immunity.
- (c) **Conditions to Close of Escrow.** The escrow instructions may provide for conditions or contingencies of the type and nature commonly included within residential purchase escrows (including, but not limited to, financing contingencies, inspection rights and preliminary title report approvals) to the obligation of the purchaser to purchase the Unit from the then Owner, provided that any such conditions or contingencies (other than the status of title to the Unit at the time of conveyance and other conditions which by their nature cannot be satisfied prior to closing) must be satisfied or waived on or before sixty (60) days following receipt by Owner of the Notice of Acceptance.

6. **Purchase Price.** The purchase price of the Unit (\$273,000.00) shall, prior to adjustment as provided in Paragraph 7 below, be the lower of:

- (a) The purchase price as agreed upon between Owner and County, its Designee or assignee;
- (b) The Owner's purchase price of the Unit, regardless of when purchased (hereinafter, "Base Price"), plus an amount, if any, equal to (A) the Base Price multiplied by (B) the percentage increase in the median household income published by the United States Department of Housing & Urban Development ("HUD") for the Monterey County Standard Metropolitan Statistical Area for a family of four (4), from that published for the date nearest the date of purchase of the Unit by Owner over that published nearest the date of receipt by Owner of the Notice of Acceptance. In the event that HUD no longer establishes median income levels at the time of the giving of the Notice to Sell, County may use any other recognized method of computing median income for computing the percentage increase.

In no event, however, shall the purchase price be below the Base Price or below the outstanding balance owing on the note(s) secured by a purchase money deed(s) of trust encumbering the Unit.

7. **Adjustment to Purchase Price.** The purchase price as determined under Paragraph 6 above shall then be adjusted as follows:

- (a) If the Unit is sold, the purchase price shall be:
 - (i) Increased by the actual cost, evidenced by receipts, of any single capital improvement which has a value in excess of one percent (1%) of the Base Price to the Unit made since Owner's acquisition of the Unit which have a useful life of greater than five (5) years subsequent to the conveyance by Owner pursuant to the Option and which were made with all required building and other governmental approvals and with the approval of the relevant homeowners association if such approvals are required (provided, however, the one percent (1%) limitation shall not apply where the expenditure was made pursuant to a mandatory assessment levied by the homeowners association for the development of which the Unit is a part, whether levied for improvements or maintenance to the Unit, the common area or related purposes, or where the expenditure was made for replacement of appliances, fixtures or equipment which was originally acquired as part of the Unit by Owner but in no event shall the purchase price be increased in excess of five percent (5%) of the Base Price); and

- (ii) Decreased by the amount necessary to repair any damages and to put the Unit into salable condition as reasonably determined by County, including, but not limited to, cleaning, painting, cleaning or replacing worn carpeting and draperies, and making needed structural, mechanical, electrical, plumbing and fixed appliances repairs. County shall provide Owner with a schedule describing "salable condition" upon purchase of the Unit by Owner and again upon receipt from Owner of the Notice to Sell. In the event Owner disputes the amount determined by the County of Monterey, Environmental Resource Policy, Housing and Redevelopment to be necessary to repair damage to put the Unit in salable condition, Owner shall have the right to obtain an independent estimate of the amount. County shall reconsider its determination taking into consideration the estimate obtained by Owner. However, the reconsidered determination by County shall be binding upon Owner.
 - (b) In the event that Owner sells the Unit after a default under a deed of trust, but prior to a trustee's sale or foreclosure sale, Owner shall pay all expenses actually incurred by the beneficiary under the deed of trust incurred due to Owner's default, including, but not limited to, trustee's fees, attorney's fees, costs of sale and debt service on the debt secured by the deed of trust.
8. **Limits on Liability.** Neither County nor its Designee shall become liable to Owner or become obligated in any manner to owner by reason of its assignment of the Option, nor shall County be in any way obligated or liable to owner for any failure of any designee to consummate a purchase of the Unit or to comply with the terms of any agreement or escrow for the sale of the Unit. Only the purchaser executing a purchase agreement or escrow instructions shall be liable to owner pursuant to the terms of any such agreement of escrow.
9. **Indemnification.** Nothing in this Agreement shall be construed by County, by Owner or by any Third Party to create the relationship of principal and agent, or of partnership, joint venture or association with one another. Owner agrees to indemnify, defend, and hold harmless the County, its officers, agents, and employees from any and all claims, demands, liability, costs, and expenses of whatever nature, including but not limited to, court costs, damages and counsel fees accruing or resulting to any and all contractors, subcontractors, material providers, laborers, and any other person, firm, or corporation furnishing or supplying work in connection with this Agreement, and from any and all claims and losses accruing or resulting to any person, firm, or corporation who may be injured or damaged by Owner in the performance of this Agreement.

10. **Transfers and Conveyances While Option is Operative.** Except as otherwise provided in Paragraph 11 below, until such time as the Option is exercised, waived or expires, the Unit and any interest in title thereto shall not be sold, leased, rented, assigned or otherwise transferred to any person or entity except with the express written consent of County or its Designee, which consent shall be granted only if consistent with County's goal of creating, preserving, maintaining and protecting low and moderate priced housing in Monterey County. Any such sale, lease, assignment or other transfer which has not been consented to by County shall result in County having the RIGHT AT ITS ELECTION TO EXERCISE AT ANY TIME THEREAFTER THE OPTION however, any such option must be exercised by written notice delivered to the property owner no later than 60 days from the date the County learns of such pending or actual sale, conveyance, or transfer PURSUANT TO PARAGRAPH 3(c) ABOVE.
11. **Permitted Transfers.** The Option contained in this Agreement shall not apply to:
- (a) a transfer of title of a Unit by gift, devise or inheritance to Owner's spouse, to a surviving joint tenant, to a spouse as a party to a divorce or marital dissolution proceeding or to a spouse in conjunction with marriage; or
 - (b) a transfer of title of a Unit to a transferee if:
 - (i) the transferee occupies the Unit,
 - (ii) the transferee earns no more than One Hundred and Twenty percent (120%) of the then current County median income as defined by HUD,
 - (iii) the transferee resides in County prior to the transfer,
 - (iv) the purchase price paid to Owner by the transferee is not more than the "purchase price" for the Unit as computed pursuant to the provisions of Paragraphs 6 and 7 above, and
 - (v) County certifies that the facts required by subclauses (i), (ii), (iii) and (iv) are correct and Owner pays to County the costs incurred by County to conduct an investigation to enable County to make the certification; or
 - (c) a transfer of title of a Unit authorized by resolution of the Board of Supervisors of County as being consistent with the goals and purposes of the provisions of Chapter 18.40 of the MONTEREY COUNTY CODE.

The covenants made by, restrictions imposed upon, and Option granted by this Agreement shall continue to encumber and run with the title to the Unit following a transfer permitted by this Paragraph 11. Owner shall notify County in writing at least fifteen (15) working days before a transfer of the Unit and the transferee must, in writing, assume the obligations and duties and agree to be bound by the restrictions of this Agreement.

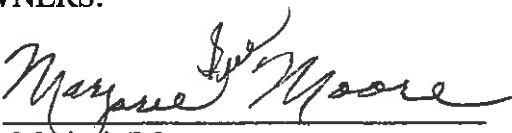
12. **Permitted Encumbrances.** This Agreement and the Option granted to County shall not prohibit Owner from encumbering the Unit for the purpose of securing financing for purposes of purchasing the Unit or securing financing to refinance the original purchase price of the Unit, and shall not supersede or in any way reduce the security or affect the validity of any purchase money deed of trust or mortgage. If a Unit is acquired at a foreclosure sale under any purchase money deed of trust or mortgage encumbering the Unit, or by deed in lieu of foreclosure sale, title to the Unit shall be taken free and clear of the covenants, restrictions and terms of this Agreement and the Option granted to County and the purchase money trust deed holder and any subsequent transferee may sell the Unit without regard to this Agreement or the Option granted to County. Owner shall not encumber a Unit with a deed of trust which is not a purchase money deed of trust as defined by California law.
13. **Duration of Option.** The Option and the provisions set forth in this Agreement shall terminate and become void automatically as to the Unit thirty (30) years following the later to occur of (a) any sale of the Unit or any transfer of the Unit permitted pursuant to Paragraph 11(b) or 11(c), or (b) the date of recordation of this Agreement. Except as provided by the terms herein, the provisions set forth in this Agreement shall constitute covenants which shall run with the Unit, shall further and independently constitute an Option encumbering each Unit and shall be binding upon Owner, Owner's heirs, executors, administrators, successors, transferees and assignees, and all parties having or acquiring any right, title or interest in or to any part of a Unit. As long as the Option has not terminated as to a Unit, any attempt to transfer title to any interest in the Unit in violation of this Agreement shall be voidable at the election of County.
14. **Insurance Proceeds.** Notwithstanding the provisions of Paragraph 13, in the event that the Unit is destroyed and insurance proceeds are distributed to Owner instead of being used to rebuild the improvements on the Unit or, in the event of condemnation, if proceeds thereof are distributed to Owner, any surplus of proceeds so distributed remaining after payment of encumbrances of the Unit shall be distributed as follows: that portion of the surplus up to but not exceeding the net amount that Owner would have received under the formula set forth in Paragraphs 6 and 7 above had County exercised the Option on the date of the destruction or condemnation valuation date, shall be distributed to Owner, the balance of such surplus, if any, shall be distributed to County. County shall be named as an additional insured on the fire and casualty insurance policy issued to the Owner insuring loss to the Unit.

15. **Acceptance of Terms by Owner.** By acceptance of the Deed to which this Agreement is attached, Owner accepts and agrees to be bound by the covenants, restrictions and Option contained in this Agreement, and further acknowledges receipt of and agrees to be bound by the covenants, restrictions and Option contained in this Agreement, and further acknowledges receipt of and agrees to be bound by the provisions of this Agreement.
16. **Miscellaneous Provisions.**
- (a) **Independent and Severable Provisions.** In the event that any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable or invalid, such holding shall not render unenforceable any other provision hereof, each provision hereof being expressly severable and independently enforceable to the fullest extent permitted by law.
- (b) **Further Assurances and Recordation.** The undersigned covenant that upon the request of County or its Designee, they will execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further instruments and agreements and do such further acts as may be necessary, desirable or proper to carry out more effectively the purpose of this Agreement and other instruments required hereunder, including, but not limited to, (i) immediately executing and acknowledging a Memorandum and Reaffirmation of Grant of Option to Purchase to the County of Monterey; and (ii) upon the sale or other transfer of an interest in the Unit, the undersigned Owner causing the purchaser or transferee to execute and acknowledge an Agreement to Grant Deed in form acceptable to County which shall be attached to the Grant Deed by which the undersigned conveys title to the Unit.
- (c) **Captions and Paragraph Headings.** Captions and paragraph headings used herein are for convenience only and shall not be used in construing this Agreement.
- (d) **Waiver.** No waiver by County or its Designee of the right to exercise the Option or of any breach by Owner of any covenant, restriction or condition herein contained shall be effective unless such waiver is in writing signed by County or its Designee and delivered to the undersigned. The waiver by County or its Designee of any such breach or breaches, or the failure by County or its Designee to exercise any right to remedy with respect to any such breach or breaches, shall not constitute a waiver or relinquishment for the future of any such covenant or condition or bar any right or remedy of County or its Designee with respect to any such subsequent breach.

- (e) **Amendment.** The parties agree that this instrument contains all of the provisions of the Agreement between the parties hereto. No alteration or variation of the terms of this Agreement shall be valid unless made in writing in the form of an amendment and signed by the parties hereto. No oral understanding or Agreement not incorporated herein shall be binding on any of the parties hereto.

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed as of the date first set forth above.

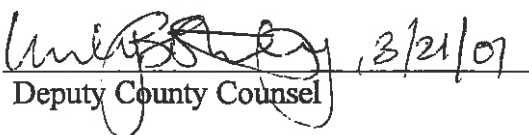
OWNERS:

By 
Marjorie Moore
Sue

aw COUNTY OF MONTEREY:

By 
Jim Cook
Housing and Redevelopment Manager

Approved as to form:
Adrienne M. Grover
County Counsel

By:  3/21/07
Deputy County Counsel

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
COUNTY OF MONTEREY)

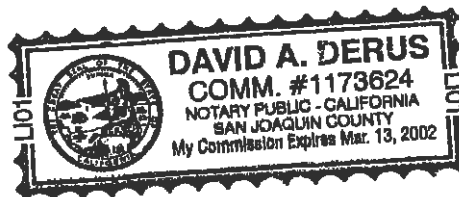
San Joaquin

On 3-19-2001 before me, David A. Derus Notary Public, personally appeared Marjorie Sue Moore personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature *David A. Derus*

(Seal)



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
COUNTY OF MONTEREY)

On 3/26/01 before me, Nora F. Stone Notary Public, personally appeared Jim Cook, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature *Nora F. Stone*

(Seal)

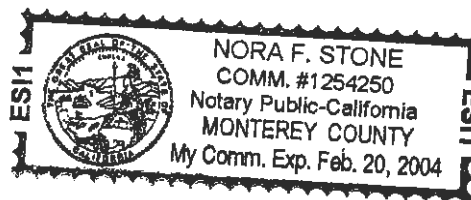


EXHIBIT "A"

The land referred to is situated in the State of California, County of Monterey, in the unincorporated area, and is described as follows:

PARCEL I:

Lot 14 as said lot is shown and so designated upon the map of Tract No 1342, Casitas of Pasadera, in the County of Monterey, State of California, filed May 3, 2000 in Volume 21, Page 9 of Maps of Cities and Towns, in the Office of the County Recorder of said County.

PARCEL II:

Easements appurtenant to Parcel I above pursuant to Sections 9.3 entitled "Easements For Owners" and 9.5 "Support, Settlement and Encroachment", of the Declaration of Covenants, Conditions and Restrictions recorded on August 9, 1999 as Instrument No. 9960149 and re-recorded October 1, 1999 as Series No. 9973045, of the Official Records of said County.

PARCEL III:

Easements acquired by Grantor as described in the Declaration of Establishment of Easements recorded on August 9, 1999 as Instrument No. 9960148 and re-recorded October 1, 1999 as Series No. 9973044 of the Official Records of said County (the "Easement Declaration"), for drainage through and across Drainage Improvements within the Drainage Easement Areas within those portions of Parcels G, I, J, K, L, M, N, O and P of said Tract No. 1307 described in the Supplementary Declaration referred to above that are contiguous to the real property conveyed hereby, as such easements are more particularly described in the Easement Declaration, as modified by said Supplementary Agreement.

Excepting therefrom, easements and rights as reserved to PRM Holdings, LLC, a Delaware limited liability company, New Cities Land Company, Inc., a California Corporation, Bates Properties, Inc., a California Corporation and deRegt Development, Inc., a California Corporation, as tenants in common pursuant to the terms and conditions set forth in that certain Mirador Co-Tenancy Agreement, dated as of July 15, 1999 (the "Mirador Co-Tenancy") as Declarant and Owner in the Declaration and in the Easement Declaration recorded August 9, 1999 as Document No. 9960149 and re-recorded October 1, 1999 as Document No. 9973045 and recorded August 9, 1999 as Document No. 9960148 and re-recorded October 1, 1999 as Document No. 9973044, including without limitation, the reservation of oil, gas and mineral rights, easements for a community antenna television system, construction, display, maintenance, sale and exhibit purposes, drainage, and ingress and egress. As provided in the Declaration, the reservation for oil, gas and mineral rights did not reserve to the benefit of the Mirador Co-Tenancy any right to enter upon the surface of the property conveyed hereby in the exercise of such rights.

Assessor's Parcel Number: 173-131-014

OLD REPUBLIC TITLE COMPANY has requested that this document be recorded as an ACCOMMODATION ONLY. It has not been examined for recording effect or effect on the title to the property hereby described.

END OF DOCUMENT

ADMINISTRATIVE MANUAL

COUNTY OF MONTEREY INCLUSIONARY HOUSING PROGRAM

AMENDED JULY 12, 2011

APPENDIX MATERIALS UPDATED JUNE 2011



County of Monterey
Redevelopment and Housing Office

2003 Administrative Manual
Amended July 12, 2011

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EXECUTIVE SUMMARY

This Administrative Manual describes the day-to-day procedures for the implementation of the County of Monterey's Inclusionary Housing Ordinance (Chapter 18.40). The Ordinance was originally adopted in 1980 and amended from time to time. In 2003, Chapter 18.40 was comprehensively amended with a revised Ordinance (#04185) which included provisions for an Administrative Manual. This Manual was then adopted in 2003. On April 26, 2011, the Board of Supervisors approved an amendment to the Inclusionary Housing Ordinance and directed staff to prepare revisions to this Manual consistent with that amendment. In the event of a discrepancy between the Administrative Manual and the Inclusionary Housing Ordinance, the language of the Ordinance will take precedence.

As identified in the Ordinance, the goals and objectives for the Inclusionary Housing Program include:

- Achieving a balanced community with housing available for persons of all economic levels;
- Encouraging a housing supply that provides housing opportunities throughout the County for a mix of households, including very low, low and moderate income households;
- Providing a priority for occupancy of inclusionary units for households with a household member(s) who live or work in Monterey County;
- Ensuring long-term affordability of the inclusionary units by requiring affordability restrictions and resale controls; and,
- Encouraging the participation of the private and non-profit development communities to provide inclusionary units.

The Inclusionary Housing Program provides an opportunity for very low, low and moderate income households to purchase and/or rent affordable housing units throughout unincorporated areas of Monterey County. Policies and procedures in this Manual provide for the following:

- New residential developments in the County shall include at least 20% of the units to be affordable to very low, low and/or moderate-income households.
- The inclusionary units provided shall be sold or rented at affordable costs and the units, generally, shall remain permanently affordable.

- Inclusionary units are considered an important and valuable resource for all County residents and, as such, shall be monitored regularly to ensure that they remain decent, safe and affordable housing units.
- Creative implementation of the inclusionary requirements shall be encouraged, including the development of mixed-use housing and employee housing.

I. Options To Comply with Inclusionary Ordinance

The County of Monterey has adopted an Inclusionary Housing Ordinance (Monterey County Code, Chapter 18.40). This Ordinance requires that 20% of the units/lots in new residential developments be affordable to very low, low and moderate-income households. The Ordinance is applicable to developments of three or more residential units/lots (farm worker housing and mobile home parks are exempt from the inclusionary requirements). Requirements of the Ordinance can be met through one of three options, or a combination of the options:

1. On-site Option
2. Off-site Option
3. Payment of In-Lieu Fees

Developments of 3 or 4 units/lots are expected to meet their inclusionary obligations through the payment of In-Lieu Fees, although the developer/owner can choose to build an inclusionary housing unit instead of payment of In-Lieu Fees if they so desire. Developments of 5 or more units/lots are expected to meet their inclusionary obligation through the development of inclusionary housing units, except as described in Section I.3.A.

1. ON-SITE OPTION

A. INCLUSIONARY % REQUIREMENT

For developments of 5 or more residential units/lots, at least 20% of the units must be set aside for inclusionary housing. The inclusionary units must be developed on the same site as the market rate units.

Exceptions: In certain unusual and infrequent situations, an exception to the mandatory on-site requirement is available. These exceptions would result in provision of units off-site or payment of In-Lieu Fees as described in Section I.2 and Section I.3.

B. LEVELS OF AFFORDABILITY

The intent of the Inclusionary Housing Ordinance is to provide a range of inclusionary units affordable to different household income levels. Inclusionary units shall be affordable to very low, low and moderate-income households. For developments of 5 or more units, at least 20% of the units must be set aside for inclusionary housing. The 20% requirement is broken down further by a requirement that 8% of all units be affordable to moderate income households, 6% to low income households, and 6% to very low income households

Exceptions: In certain situations a deviation from the percentage requirements for income levels may be approved by the Appropriate Authority. The approval of the deviation must be supported by specific findings that document why the exception should be granted and how the objectives of the Inclusionary Program can still be met. The approval shall require a noticed public hearing and generally the County's Housing Advisory Committee provides a recommendation to the Appropriate Authority.

Inclusionary Household Affordability Requirements

SIZE OF DEVELOPMENT	INCLUSIONARY REQUIREMENT	20% REQUIREMENT DISTRIBUTED BY HOUSEHOLD INCOME LEVEL		
		<i>Moderate Income</i>	<i>Low Income</i>	<i>Very Low Income</i>
1-2 Units/Lots	<i>No Inclusionary Requirement</i>			
3 - 4 Units/Lots	Payment of In-Lieu Fee	N.A.	N.A.	N.A.
5 Units/Lots	Provide 20% inclusionary units	1 unit		
6 - 7 Units/Lots	Provide 20% inclusionary units	1 unit + payment of In-Lieu Fee for any fractional difference		
8 Units/Lots	Provide 20% inclusionary units	1 unit + payment of In-Lieu Fee for any fractional difference		
9 Units/Lots	Provide 20% inclusionary units		1 unit + payment of In-Lieu Fee for any fractional difference	
10 - 14 Units/Lots	Provide 20% Inclusionary units	1 unit + payment of In-Lieu Fee for any fractional difference	1 unit	
15 – 16 Units/Lots	Provide 20% Inclusionary Units	2 units + payment of In-Lieu Fee for any fractional difference	1 unit	
17 or More Units/Lots	Provide 20% Inclusionary Units	8% of all units (1 unit minimum) + payment of In-Lieu Fee for any fractional difference	6% of all units (1 unit minimum)	6% of all units (1 unit minimum)

The table above outlines the inclusionary obligation according to the method of “rounding up” the fractional requirement. According to the size of the proposed development, the 8%/6%/6% inclusionary requirements are applied. The rounding up process for a five unit development would be as follows: the 8% moderate-income requirement is 0.40, the 6% low income requirement is 0.30 and the 6% very low income requirement is 0.30. Beginning with the very low-income figure and rounding up, the 0.30 very low-income figure is not a whole number and so the 0.30 amount would be added to the next highest income category, low income. The 0.30 would be added to the 0.30 low income and the resultant figure of 0.60 is still not a whole number. The 0.60 is added to the 0.40 moderate-income figure and a resultant whole number of 1 unit is generated. Therefore, the inclusionary requirement would be 1 moderate income unit. The same type of rounding up process would be applied to each proposed development. If a fractional amount still remains after rounding up, then the developer has the option of paying an-in lieu fee based on the fractional requirement or providing an additional inclusionary unit.

C. DESIGN, SIZE AND LOCATION OF UNITS

The exterior appearance of the inclusionary units must be compatible with the market rate units. Compatibility includes the architectural style and detailing, but not necessarily the quality of materials or size of structures. The inclusionary units should be similar in number of bedrooms as the market rate units (up to four bedrooms). To the extent feasible, the inclusionary units shall be scattered throughout any development that also includes market rate units. However, inclusionary units may be clustered if it is found that such an arrangement better meets the objectives of the program.

D. TIMING OF INCLUSIONARY UNITS

The inclusionary units must be developed either prior to or concurrent with the development of the market rate units. The phasing plan for the release of building permits for both the inclusionary and the market rate units shall be described in the Master Inclusionary Developer Agreement.

2. OFF-SITE OPTION

A. INCLUSIONARY % REQUIREMENT

For certain residential developments of 5 or more units/lots, the inclusionary units may be developed on a site different (off-site) than the market rate units. To qualify for this option, the developer must demonstrate to the satisfaction of the Approving Body that the off-site units will provide a “greater contribution” to the Inclusionary Program than units provided on-site.

“Greater contribution” means, at a minimum:

- More inclusionary units are created off-site than would normally be required by the 20% Inclusionary Housing mandate; and
- if homeowner units, all of the inclusionary units would be affordable to low income households; or
- if rental units, all of the inclusionary units would be affordable to very low-income households.

Units developed under the off-site option must be newly constructed units. Existing units cannot be substituted in the off-site option. Further, the off-site units must be located within the same Planning Area as the market rate units.

B. DESIGN, SIZE AND LOCATION OF UNITS

The exterior quality and appearance of the inclusionary units must be compatible with development in the vicinity of the off-site location and be found to result in a positive benefit to the area. The inclusionary units shall be similar in number of bedrooms as the market rate units (up to four bedrooms), but the square footage size of the inclusionary units may be less than the market rate units. To the extent feasible and as appropriate for the development, the inclusionary units shall be scattered throughout any development that also includes market rate units. However, inclusionary units may be clustered if it is found that such an arrangement better meets the objectives of the program.

C. TIMING OF INCLUSIONARY UNITS

The inclusionary units must be developed either prior to or concurrent with the development of the market rate units. The phasing plan for the release of building permits for both the inclusionary and the market rate units shall be described in the Master Inclusionary Developer Agreement.

D. APPROVAL PROCESS

The provision of inclusionary units off-site will only be approved in developments that can demonstrate that they meet the “greater contribution” test specified above. The intent of the Inclusionary Housing Ordinance is to create developments that include a mix of household income ranges and housing options, which is more possible with on-site development. Therefore, off-site inclusionary housing will only be approved for developments that provide more benefit to the community in terms of number of inclusionary units and affordability levels as specified above. The “greater contribution” test must meet be met to the satisfaction of the Approving Body.

3. PAYMENT OF IN-LIEU FEES

A. PROJECTS ELIGIBLE FOR PAYMENT OF IN-LIEU FEES

Projects of 3-4 Units/Lots

All projects of 3-4 units/lots are eligible to pay In-Lieu Fees to meet their Inclusionary Housing requirement. However, developers also have the option of building an inclusionary unit instead of paying the In-Lieu Fees.

a. Owner-Occupied Exemptions and Applicability of Inclusionary Requirement:

For developments of 3-4 units/lots, one unit may be owner-occupied and exempt from the Inclusionary Housing Requirements, subject to a recorded agreement. Therefore, a 3 unit development with one of the units being owner-occupied would be completely exempt from the requirements of the Inclusionary Housing Ordinance because the net effect would be a 2 unit development. For a 4-unit development with one owner-occupied unit, the Inclusionary Requirement would only apply as if it were a 3-unit development.

To qualify as an owner-occupied unit as specified in the paragraph above, the owner must agree to occupy the unit for at least one year following completion. One owner-occupied exemption is allowed per development and

further; each developer/owner is allowed only one owner-occupied exemption every 10 years.

For owner-occupied units that trigger an exemption, the owner must record an Inclusionary Housing Owner-Occupied Exemption Agreement (Agreement), a Promissory Note (for the amount of the In-Lieu Fee) secured by a Deed of Trust on the lot/unit being exempted requiring that the owner reside in the new unit for a minimum of one year from the date of the Notice of Completion. "Owner" must be an owner of record at the time the final map is recorded or use permit approved. All owners of record must sign the Agreement. After the one-year period, the owner may submit a request to the Redevelopment and Housing Office to remove the deed restriction. Proof of residency for the one-year period must be provided at that time.

Projects of 5 or More Units/Lots

a. Payment of In-Lieu Fee for Fractional Obligations:

For inclusionary obligations that result in a fractional inclusionary requirement (e.g., a 6 unit development would have an inclusionary obligation of 1.2), the developer/owner can either pay an In-Lieu Fee for the fractional difference of the inclusionary obligation or they may provide an inclusionary unit instead of paying the fee.

b. Payment of In-Lieu Fee for Total Inclusionary Obligation:

Projects of 5 or more units are expected to produce inclusionary units on-site. However, in very rare and limited circumstances, a project of 5 or more units may meet its inclusionary obligation by only paying In-Lieu Fees. To qualify, the developer must conclusively demonstrate that provision of inclusionary units is infeasible because of specific characteristics of the development site, such as excessive property maintenance costs and/or limited access to services (e.g. transit, stores, etc.).

Qualified Agricultural Subdivisions

Subdivisions of eligible agriculturally zoned land, as described below, may pay an In-Lieu Fee as compliance with the Inclusionary Ordinance instead of supplying units either on site or off site. In addition, the payment of the In-Lieu Fee may be deferred until such time, if ever, a building permit for a residential unit is applied for and issued by the County. The purpose of this provision is to allow subdivisions of agriculturally zoned property that are for the purpose of financing and/or agricultural operations to defer payment of the required In-Lieu Fee until a residential unit is constructed on the property. An Inclusionary Housing Agreement must be executed by the property owner and recorded over

the entire development prior to the recordation of the Final Map, to set forth the terms of the fee deferral. The Agreement will require the payment of the entire In-Lieu Fee at the time that a residential building permit is issued for any lot located within the subdivision/development.

To qualify for the In-Lieu fee deferral, agricultural subdivisions must meet the following criteria:

1. Be currently zoned "Farmlands" by the Monterey County Code at the time of application; and
2. Result in subdivided parcels of not less than 40 acres in size. Further subdivisions of the resulting parcels will not be eligible for the fee deferral provisions and will require compliance with the remaining provisions of the Inclusionary Ordinance, and
3. The applicant/property owner must submit a request in writing as part of the subdivision application that states the purpose of the subdivision is for financing and/or agricultural operations and not for residential. Documentation supporting the request may be required as deemed necessary by the Redevelopment and Housing Director.

B. IN-LIEU FEE CALCULATION

The In-Lieu Fee applicable to a project shall be consistent with the adopted In-Lieu Fee Schedule in effect at the time that a development application is deemed complete by the County. Based upon the 20% requirement; the **current In-Lieu Fees are based on a 5-unit development**. A copy of the current In-Lieu Fee Schedule is contained in Appendix G of this Manual.

Developments Requiring a Fractional Amount of In-Lieu Fee:

Developments of 3-4 units will pay a fractional amount of an In-Lieu Fee.

In-Lieu Fee Calculation:

The Redevelopment and Housing Office shall calculate the In-Lieu Fees on an annual basis, based on a calculation approved by the Board of Supervisors. The Board of Supervisors shall then adopt the fees annually. If new In-Lieu Fees are not adopted annually, the existing fees shall remain in place until such time that updated fees are adopted.

C. CALCULATION AND PAYMENT OF IN-LIEU FEE (TIMING)

Payment of In-Lieu Fees shall be made in full or secured to the satisfaction of the Redevelopment and Housing Director or designee prior to the recordation of parcel or final maps, or where the development is not subject to subdivision approval, prior to issuance of the first building permit for the development. The In-Lieu Fee shall be calculated based on the In-Lieu Fee Schedule in effect at the time the application is deemed complete for a subdivision, land division or land use permit or at the time of the first building permit issuance, if there is no subdivision. A description of the process is included in Appendix G.

D. USE OF IN-LIEU FEES

The In-Lieu Fees shall be used in accordance with the adopted Monterey County Housing Policy and Allocation Procedures Manual which identify funding sources, funding standards, selection criteria and the funding process. A Notice of Funding Availability (NOFA) is issued annually identifying the applicable program guidelines and priorities for the year. According to the adopted Housing Policy and Allocation Procedures Manual, Inclusionary In-Lieu Fees shall be dedicated to the development of affordable housing projects and support of the housing programs within the County. These include, but are not limited to, assisting in the production and/or retention of affordable and special needs projects in conjunction with grants.

II. Marketing and Selection Procedures

The Redevelopment and Housing Office shall have overall responsibility for the marketing of inclusionary units and the selection of households to occupy those units. However, there may be instances where it is appropriate to delegate some of those responsibilities to the development and/or real estate community. This section of the Manual discusses the overall marketing and selection procedures.

1. *MARKETING RESPONSIBILITIES*

A. HOUSING AND REDEVELOPMENT OFFICE

Staff at the Redevelopment and Housing Office shall be responsible for the general marketing of the Inclusionary Housing Program. This would include providing the following types of information:

- Developer fact sheets
- Homeowner fact sheets
- Tenant fact sheets
- Public Notices in newspaper, social service agencies, libraries, etc. regarding eligibility for occupancy and waiting list procedures
- Presentations at community events or organizations
- Other marketing materials as appropriate

Marketing materials should be available in both English and Spanish, as well as in formats accessible to the visually handicapped (e.g. large print format or Braille).

B. PROPERTY OWNER/DEVELOPER

As part of the Master Inclusionary Developer Agreement, the owner/developer may be required to submit a Management and Marketing plan for the County's approval. The Management and Marketing Plan shall contain at least the following elements:

For rental developments

- Marketing and Tenant Selection Plan, including marketing procedures, efforts to market to special needs groups, selection process and bi-lingual procedures.
- Description of property management team
- Copies of rental agreements/leases
- Procedures for complying with fair housing laws
- Selection Procedures for Tenants (including priority for households who live/work within Monterey County)
- Initial rents and utility allowances (provided by staff)
- Agreement to maintain adequate property insurance
- Preferences may be given to employees in employer sponsored developments

For homeowner developments

Description of how the developer will coordinate occupancy of units with inclusionary homeowner selection procedures. (See Section 2 for description of these procedures.)

2. SELECTION OF INCLUSIONARY OCCUPANTS

A. RENTAL UNITS

The owner/developer shall be responsible for selecting tenants upon initial occupancy and subsequent vacancies. The selection procedure shall follow the marketing and selection plan submitted by the developer and approved by the Redevelopment and Housing Director or designee if determined to be required for the project (including any revisions required by the County as a condition of project approval), and updated as needed. The owner/developer shall be subject to the payment of applicable service fees for qualifying tenants as described in Section VI.4.

B. HOMEOWNER UNITS

The owner/developer shall follow the procedures as listed below.

a. Countywide Eligibility List (Inclusionary Homeowners)

The Redevelopment and Housing Office shall be responsible for establishing and maintaining a countywide waiting list for occupancy of homeowner

inclusionary units. To create the list, the Housing and Redevelopment Office shall publish notices in newspapers circulated in the Monterey County area (in both English and Spanish), provide public notices at community gathering areas (e.g. social service agencies, libraries, etc.), and distribute information to the real estate community. Information should include:

1. Homeowner Fact Sheet (See Example in Appendix A)
2. Priorities for Eligible Applicants,
3. Income Requirements,
4. When the Application Period Opens/Closes (if applicable),
 - Application Packet, and
 - Telephone/Contact for Questions

From the applications submitted, the Redevelopment and Housing Office shall create a list of potential applicants. The applicants shall then be ranked by priority on the waiting list. Priority shall be given to households with members who are either:

- Residents of the County of Monterey for a period of at least one year prior to application submittal; or
- Persons who have worked within the County of Monterey for at least 6 months prior to application submittal.

b. Initial Establishment of List

In order to initially establish an Eligibility Waiting List, the County shall first identify all those applicants who meet the live/work priority noted above. Through a random selection or lottery procedure, those applicants will be ranked on the waiting list. After all of the priority applicants have been ranked, the non-priority applicants shall then be ranked on the waiting list, again through a lottery procedure. The Eligibility Waiting List will thereafter contain two sets of applicants: those who meet the priority qualification and those who do not.

Following the initial establishment of the list, new applicants shall be added to the bottom of each portion of the list (either priority or non-priority) as their applications are received and according to whether they meet the priority qualifications. All applicants must ultimately be income-qualified to be eligible for an inclusionary unit.

c. Selection from Eligibility Waiting List

Each time inclusionary homeowner units become available for occupancy, the owner/developer and the Redevelopment and Housing Office staff shall follow these procedures:

1. At least 60 days prior to issuance of a Certificate of Occupancy for newly developed units, the owner/developer shall notify the County of the number and type of units available (i.e. bedroom size).
2. Within 10 business days of notice by the owner/developer, the Redevelopment and Housing Office shall cause to be pre-qualified the top five applicants on the list. Pre-qualify means that the information submitted by the applicant regarding income, residency, place of employment and any other relevant information has been verified and found to meet current requirements. Verification shall be conducted by either the Redevelopment and Housing Office staff or a designee agency (i.e. Housing Authority of Monterey County).
3. The Redevelopment and Housing Office shall provide the developer/owner with a Referral List of at least five pre-qualified applicants.
4. Owner/developer shall directly contact and work with the persons on the Referral List provided in the order provided.
5. Owner/developer shall conduct all additional screening and selection of applicants from the Referral List. All applicable Fair Housing Laws must be observed.
6. Selected applicants will be responsible for securing their own financing for the proposed inclusionary unit. Within 6 weeks of being selected, applicants will be required to submit documentation that they have qualified for their permanent mortgage financing. If they have not obtained financing commitments within that time frame, the developer/owner has the option of rejecting them and working with the next applicant(s) from the Referral List until all persons on the Referral List have been provided with an opportunity to buy a unit. Owners who are not able to fill vacant units from the Referral List may request additional names from the Eligibility Waiting List.
7. If candidates on the Referral List do not become occupants of the inclusionary units, they will be returned to the Eligibility Waiting List with the same ranking as before (except as provided below in Section II.2.B.e., Removal from Eligibility Waiting List).

d. Procedures for Resale of Existing Homeowner Inclusionary Units

In the event that an existing inclusionary homeowner decides to sell a home during the affordability period, the owner will give the County written notice of such intent pursuant to the procedures as described in the owner's original Buyer's Occupancy and Resale Restriction Agreement. Upon receipt of the applicable service fee for obtaining a Re-Sale Value as set forth in Section VI. 4, the Redevelopment and Housing Office shall provide the homeowner with the maximum sale price figure for the unit (see Section III for a further description of the calculation process for maximum sale prices). The homeowner shall also submit payment of the applicable service fee for processing a re-sale as described in Section VI. 4 of this Manual.

Should the County not exercise its option to purchase the property, the County will announce the sale to all households on the County's Inclusionary Lottery List. The announcement shall include the following:

1. Address of the unit for sale;
2. Sale price and income level (Moderate, low, very low);
3. Description of the unit (i.e., 2-bedroom/2-bath, single story);
4. Directions to the unit;
5. Seller's contact information;
6. Procedures for prospective buyers to follow:
 - i. Drive by unit to determine interest. Do not disturb the occupants;
 - ii. If interested, obtain a loan pre-qualification letter from a lender;
 - iii. Make an appointment with owner to see the unit;
 - iv. If interested in purchasing the unit,
 - i. Present pre-qualification letter to seller
 - ii. Contact the Redevelopment and Housing Office to receive a copy of the list of financial information/documentation required for qualification for the Inclusionary Program
 - iii. Request a draft of the current Inclusionary housing agreement for review.
 - v. If not interested, let the owners know as soon as possible.

In the case of several interested buyers, one buyer and one back-up buyer will be selected in order of rank based on assigned Lottery numbers.

If there are no interested buyers from the Inclusionary Lottery List, announcement letters shall be mailed to households listed on secondary lists (those households that missed the lottery process; recent Inclusionary applicants, etc.).

The homeowners/sellers shall track all responses received (yes, no and/or phone inquiries) and forward this information to the Redevelopment and Housing Office. It is the homeowner/seller's responsibility to schedule an adequate number of showings or open houses to enable buyers to view the premises and to follow-up with interested buyers to determine their interest in the unit.

e. Removal from Eligibility Waiting List

Applicants will be removed from the Eligibility Waiting List for any of the following reasons:

1. Fraudulent statements on Application or verification documents;
2. Purchase of a home or other property; or
3. Inability to qualify for financing to purchase a unit after two referrals to an Owner/Developer.

f. Appeal Process

The decisions by the Redevelopment and Housing Office in establishing the Eligibility Waiting List and/or maintaining the list may be appealed. All appeals must be in writing and must be received within 10 days after the Redevelopment and Housing Office has notified applicants of their standing on the List. An informal hearing on the appeal shall be conducted by the Housing Advisory Committee (HAC) with the Redevelopment and Housing Director (or designee) responsible for the final decision, based on the HAC's recommendation. The results of the appeal decision shall be communicated to the appellant in writing within 10 days of the hearing.

g. Purging of Eligibility List

The Eligibility Waiting List shall be purged approximately every two years or as needed. A new list shall be developed based on the procedures described above.

h. Options to Marketing/Selection Plan Submitted by Owner/Developer

There may be situations where a developer has a specific target population for occupancy of the inclusionary housing units. For example, a developer of

employee housing may request that potential occupants be employees of the employer/developer. The Redevelopment and Housing Office will review such alternate marketing/selection plans and, if appropriate, will approve such plans in lieu of some or all of the procedures described above.

III. Homeowner Inclusionary Unit Requirements

1. ELIGIBILITY CRITERIA

A. INCOME

Households eligible for purchase of inclusionary units shall be of very low, low and moderate income. Household income limits are determined annually by HCD/HUD and are based on household size. See Appendix E of this Manual for the current income limits for very low, low and moderate-income households. The definition of income is listed in Appendix D of this Manual.

B. ASSETS

There is a maximum asset test for purchasers of inclusionary units. See Appendix D of this document for a description of maximum assets and definitions of assets.

C. LIVE/WORK IN MONTEREY COUNTY

Household members who live or work in Monterey County shall have priority in the purchase of inclusionary units. See Section II.2 above (Selection of inclusionary Occupants) of this Manual for further information about the priority process.

2. ESTABLISHMENT OF INITIAL SALE AND RESALE PRICES

A. INITIAL SALE PRICE

The Redevelopment and Housing Office staff shall provide the developer/owner with the initial sale price for an inclusionary unit. The developer/owner shall be subject to the applicable service fees for "Initial Sale" for each unit described in Section VI.4. The sale price shall be developed using the following criteria:

For Inclusionary units to be Occupied by a Very Low Income Household:

1. Determine appropriate household size
(number of bedrooms in unit + one person = appropriate household size)
2. Identify very low median income (usually 50% of median) for the appropriate household size (use current income limits as specified in Appendix E)
3. Determine monthly household allowance for housing payment:

- i. Multiply 30% of very low median income for appropriate household size
 - ii. Divide amount by 12 for monthly allowance
4. Determine the maximum sale price that the monthly household allowance for housing payment can support using the following parameters:
 - i. 7.5% fixed interest rate mortgage
 - ii. 30 year mortgage term
 - iii. 10% downpayment
 - iv. estimates of property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land).

For Inclusionary units to be Occupied by a Low Income Household:

1. Determine appropriate household size
(number of bedrooms in unit + one person = appropriate household size)
2. Identify 70% of median income for the appropriate household size (use current income limits as specified in Appendix E)
3. Determine monthly household allowance for housing payment:
 - i. Multiply 30% of 70% of median income for appropriate household size
 - ii. Divide amount by 12 for monthly allowance
7. Determine the maximum sale price that the monthly household allowance for housing payment can support using the following parameters:
 - i. 7.5% fixed interest rate mortgage
 - ii. 30 year mortgage term
 - iii. 10% down payment
 - iv. estimates of property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association

dues, allowance for utilities and land rent (if home is on rented land).

For Inclusionary units to be Occupied by a Moderate Income Household:

1. Determine appropriate household size
(number of bedrooms in unit + one person = appropriate household size)
2. Identify 110% of median income for the appropriate household size (use current income limits as specified in Appendix E)
3. Determine monthly household allowance for housing payment:
 - i. Multiply 35% of 110% of median income for appropriate household size
 - ii. Divide amount by 12 for monthly allowance
4. Determine the maximum sale price that the monthly household allowance for housing payment can support using the following parameters:
 - i. 7.5% fixed interest rate mortgage
 - ii. 30 year mortgage term
 - iii. 10% down payment
 - iv. estimates of property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land)

B. MAXIMUM RESTRICTED RESALE VALUE/ PRICE FOR INCLUSIONARY UNITS (FOR UNITS WITH AGREEMENTS DATED ON OR AFTER MAY 23, 2003)

Inclusionary homeowners may refinance, obtain a second mortgage or decide to sell their unit, under terms and conditions consistent with this Manual, as set forth below and in the Inclusionary Housing Agreement recorded on the property. The Inclusionary homeowner must make their request in writing and will be subject to applicable service fees as described in Section VI.4. The Redevelopment and Housing Office staff shall determine the appropriate resale or refinance value/price by using the following formula:

Resale Value/Price Without a Bedroom Addition:

Staff calculates new resale value/price allowed by:

1. Use original sale price as base figure,
2. Calculate percentage change in median income from original sale date to current date or most recent household income figures,
3. Apply the percentage change figure for median income to original sale price, which is the tentative maximum resale value/price.
4. The tentative maximum resale value/price may be modified as follows:
 - If unit is in decent condition based upon acceptable documentation, apply a home improvement credit in the amount of 10% to original sale price,
 - If unit is not in decent condition based upon acceptable documentation, the 10% credit shall be reduced in an amount sufficient to correct deficiencies,
5. Add the additional home improvement credit amount (from step 4) to the tentative maximum resale value derived in step 3.
6. Check new resale value/price to ensure that loan to value (LTV) does not exceed 100% of new resale value/price. Also check if the new resale value/price derived from steps 3-5 exceeds maximum affordability standard. If so, reduce the resale value/price to a value/price that does not exceed the maximum affordability standard.

Resale Value/Price With a Bedroom Addition:

Staff calculates new resale value/price allowed by:

1. Use original sale price as base figure,
2. Calculate percentage change in median income from original sale date to current date or most recent household income figures,
3. Apply the percentage change figure for median income to original sale price, which is the tentative maximum resale value/price with the following modifications.
4. The tentative maximum resale value/price may be modified as follows:
 - If unit is in decent condition based upon acceptable documentation and/or a unit inspection by Redevelopment and Housing Staff, apply a home improvement credit in the amount of 10% to original Sale price,

- If unit is not in decent condition based upon acceptable documentation and/or unit inspection by Redevelopment and Housing Staff, the 10% credit shall be reduced in an amount sufficient to correct deficiencies,
5. Calculate value of bedroom addition by calculating the change in household size estimate. For example, a bedroom addition to an existing 3-bedroom structure (4 person household size estimate) would result in a 4-bedroom unit and a 5-person household size estimate. The value of the bedroom addition depends on the dollar difference between the median income for a 5-person household as compared to the median income for a 4-person household. Using this dollar amount, estimate the amount of new loan that can be financed with this dollar amount using a 30% for low/very low income and 35% for moderate income housing cost to income ratio. An example of this calculation is included in Appendix F_ The value of the bedroom is not determined by the actual costs of the addition/improvement.
 5. Add the additional home improvement credit amount (from step 4) and the bedroom credit (step 5) to the adjusted resale value derived in step 3.
 6. Check the new resale value/price to ensure that the proposed loan to value (LTV) does not exceed 100% of new resale value/price. Also check if new resale value/price derived from steps 4-7 exceeds maximum affordability standard. If so, the resale value/price will be reduced to a price that does not exceed the maximum affordability standard.

C. DETERMINATION OF MAXIMUM AFFORDABILITY STANDARDS

(Applicable to resale of existing units with agreements dated on or after May 23, 2003)

For Inclusionary For Sale Units to be Occupied by a Very Low Income Household:

1. Determine appropriate household size
(number of bedrooms in unit + one person = appropriate household size)
2. Identify very low-income limit (usually 50% of median income) for the appropriate household size (use current income limits as specified in Appendix E).
3. Determine monthly household allowance for housing payment:

- A. Multiply 30% of 50% of median income for appropriate household size
 - B. Divide amount by 12 for monthly allowance
4. Determine the maximum sale price that the monthly household allowance for housing payment can support using the following parameters:
 - i. 7.5% fixed interest rate mortgage
 - ii. 30 year mortgage term
 - iii. 10% down payment
 - iv. Estimates of property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land).

For Inclusionary For Sale Units to be Occupied by a Low Income Household:

1. Determine appropriate household size
(number of bedrooms in unit + one person = appropriate household size)
2. Identify lower income limit (usually 80% of median income) for the appropriate household size (use current income limits as specified in Appendix E)
3. Determine monthly household allowance for housing payment:
4. Multiply 30% of 80% of median income for appropriate household size
5. Divide amount by 12 for monthly allowance
6. Determine the maximum sale price that the monthly household allowance for housing payment can support using the following parameters:
 - i. 7.5% fixed interest rate mortgage
 - ii. 30 year mortgage term
 - iii. 10% downpayment
 - iv. estimates of property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and

repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land).

For Inclusionary For Sale Units to be Occupied by a Moderate Income Household:

1. Determine appropriate household size
(number of bedrooms in unit + one person = appropriate household size)
2. Identify moderate income limit (usually 120% of median income) for the appropriate household size (use current income limits as specified in Appendix E)
3. Determine monthly household allowance for housing payment:
 - Multiply 35% of 120% of median income for appropriate household size.
 - Divide amount by 12 for monthly allowance
4. Determine the maximum sale price that the monthly household allowance for housing payment can support using the following parameters:
 - i. 7.5% fixed interest rate mortgage
 - ii. 30 year mortgage term
 - iii. 10% downpayment
 - iv. estimates of property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land).

3. HOMEOWNER INCLUSIONARY UNIT REQUIREMENTS

A. OCCUPANCY REQUIREMENTS

The inclusionary unit shall be the owner's principal place of residence. To be considered as a principal place of residency, the owner shall live in the unit for at least 10 months out of each calendar year. In emergency or hardship situations, the inclusionary owner can seek approval to rent or lease the inclusionary unit for a short period of time (generally a maximum of one year). All rentals or leases must be pre-approved by the County. The owner

must submit a letter to the ~~Housing and~~ Redevelopment and Housing Office requesting permission to rent their unit, the reason for the request with appropriate documentation and length of time requested. The Redevelopment and Housing Director is authorized to review the request, receive a recommendation from the Housing Advisory Committee, and approve or deny the request based on the following:

- There are unique circumstances that justify allowing the owner to be relieved of their obligations to reside in the unit on a temporary basis, such as a necessary temporary move out of the area, the need to provide physical care for a relative, or significant financial hardship where the owner can not pay the mortgage due to a temporary job loss, divorce, etc.
- The owner agrees that the rental will be on a short term basis and that, if the circumstances continue beyond the agreed upon time frame, the owner will sell the unit to another qualified household pursuant to the Inclusionary Agreement recorded on their property.

The unit shall be rented to a qualified tenant household at the same affordability level as specified in the owner's Inclusionary Housing Agreement and at an "affordable rental cost". The inclusionary owner may select an income-qualified tenant. An "affordable rental cost" is defined as rent plus a utility allowance. Affordable rental costs shall not exceed 30% of 50% of the Area Median Income (AMI), adjusted by number of bedrooms in the actual unit for very low-income households; 30% of 60% of the AMI, adjusted by the number of bedrooms for low-income households; and 30% of 110% of the AMI for moderate-income households, adjusted by the number of bedrooms. The tenant shall also be income qualified as either a very low-, low-, or moderate-income household. Incomes must not exceed 50% AMI for very low income; 80% for low income; and 120% for moderate income, all adjusted for the actual household size of the qualifying tenant.

If the request is approved, the owner will be required to execute an Inclusionary Housing Rental Agreement with the County that sets forth the terms of the short term rental, including paying applicable service fees for income qualifying the selected tenant, as described in Section VI.4.

B. AFFORDABILITY PERIODS

According to the Inclusionary Housing Agreement with the County, the inclusionary owner agrees that the resale value of the home is restricted for a period of time. For agreements signed prior to May 23, 2003, the period is

typically 30 years from the original purchase date. For agreements signed on or after May 23, 2003, the period is in perpetuity or for the life of the structure if the structure is demolished or abandoned after 55 years.

C. MAINTENANCE AND INSURANCE

The inclusionary unit owner must maintain the home, including landscaping, in decent condition. At the time of resale/refinancing, the owner can receive up to a 10% addition to the original sale price if the unit has been maintained in decent condition. The owner shall maintain a standard all risk property insurance policy equal to the replacement value of the home, naming the County as additional insured.

D. REFINANCING OF FIRST MORTGAGE/SECURING A NEW SECOND MORTGAGE

The inclusionary owner may refinance a first mortgage or secure a second mortgage on the property. The County's lien position shall never be less than 3rd position on the property. The owner must contact the Redevelopment and Housing Office staff prior to refinancing or securing new debt in order to determine a current property value (resale value). The staff procedures for responding to refinancing/resale request are specified in Appendix F of this document, including paying the applicable service fee as described in Section VI.4.

E. TITLE CHANGES AND PROPERTY INHERITANCE

In certain instances, the inclusionary owner may modify the title on the property. One example is adding or deleting a spouse from title due to marriage, divorce or death. However, in all cases, the owner must contact the Redevelopment and Housing Office prior to the transfer. If the owner dies and there is no surviving owner and a child or stepchild of the owner inherits the property, the child/step-child shall notify the Redevelopment and Housing Office. The child/step-child is allowed to inherit the unit and to reside in it regardless of income, but will be subject to the existing Inclusionary Housing Agreement recorded on the property, including term of affordability, occupancy and monitoring, and resale provisions. If the inheriting child/step-child intends to sell the unit, he/she is subject to the County's resale process and the provisions contained in the recorded Inclusionary Housing Agreement, including payment of applicable service fees as described in Section VI.4. A Notice may be recorded indicating change of title to inheriting child/step-child, pursuant to these provisions.

An inclusionary owner may place his/her unit in a trust, but only if the trust is a revocable living trust where the owner is the trustor. The disposition of the inclusionary unit through such a trust is subject to the same terms and

conditions as stated above, including restrictions on the resale of the inclusionary unit.

F. DEFAULT AND FORECLOSURE

If an owner violates the terms of the original “Buyers Occupancy and Resale Restriction” agreement, the owner can be found to be in default of the agreement.

IV. Rental Inclusionary Unit Requirements

1. ELIGIBILITY CRITERIA

A. INCOME

Households eligible for rental of inclusionary units shall be of very low, low or moderate income. Household income limits are determined annually by HCD/HUD and are based on household size. See Appendix E of this document for the current income limits for very low, low and moderate-income households. The definition of income is listed in Appendix D of this document. The Redevelopment and Housing Office or its designee will initially verify the household income of tenants of inclusionary rental units. Subsequent annual certifications of income of renters shall be submitted by the owner/manager of the rental units to and verified by the County as part of the Annual Monitoring Process.

B. ASSETS

There is a maximum asset test for initial renter eligibility of inclusionary units. The County or its designee will verify the assets. See Appendix D of this document for a description of maximum assets and definitions of assets.

C. LIVE/WORK IN MONTEREY COUNTY

Households who live or work in Monterey County shall have priority in the rental of inclusionary units. In selection of tenants, property owners and/or managers shall give reasonable preference to households who live or work in Monterey County.

2. RENT SCHEDULES

A. INITIAL RENTS

The ~~Housing and~~ Redevelopment and Housing Office or its designee shall determine maximum initial rents. The owner/developer shall be subject to payment of applicable service fees for qualifying tenants as described in

Section VI.4. The inclusionary units shall be rented at affordable housing costs as specified in the Inclusionary Housing Agreement recorded on the project. An affordable rental housing cost is defined as rent plus a utility allowance as developed by the Housing Authority of the County of Monterey. Affordable housing costs shall not exceed 30% of very low-income limits (usually 50% of median income, adjusted by bedroom size) for very low-income households, 30% of 60% of median income (adjusted by bedroom size) for low-income households and 30% of 110% of median income for moderate-income households (adjusted by bedroom size).

B. ANNUAL RENT CHANGES

The ~~Housing and~~ Redevelopment and Housing Office shall notify property owners and/or property management companies of changes in the affordable rental housing cost annually upon receipt of revised income limits from HCD/HUD. At no time shall the new affordable rental housing cost be adjusted to less than the initial rent at the time the Master Inclusionary Developer Agreement was executed.

3. RENTAL INCLUSIONARY UNIT REQUIREMENTS

A. HOUSEHOLD SIZE AND OCCUPANCY

Upon initial occupancy, eligible households must have a household size appropriate for the rental unit. An appropriate household size is defined as a maximum of two persons per bedroom plus one person per unit and a minimum of one person per bedroom.

B. LEASE REQUIREMENTS

Except as may be provided in an agreement that allows the rental of a For Sale unit under hardship conditions, as described in Section III.3.A. above, all tenants must be provided with a lease that has a minimum period of 12 months. The lease must comply with all applicable federal and state laws. The lease shall include provisions that specify the maximum household size allowed in the unit and requirements that the unit be maintained in a decent and safe condition. Further, the lease must include requirements that prohibit subleasing, require the tenant to report any changes in household size or income during their tenancy, and further specify that the tenant must comply with all monitoring requests of the Redevelopment and Housing Office or its designee.

C. CHANGES IN HOUSEHOLD SIZE OR INCOME DURING TENANCY

If the tenant's household income increases above the maximum allowed for very low, low or moderate-income households, the tenant may choose to remain in the inclusionary unit. However, the tenant would have a revised

affordable rental housing cost based on their new income category. For example, a very low-income tenant whose income increases and is now a low-income tenant would have a new maximum affordable rental cost based on affordable rents for a low-income unit. A low-income tenant whose income increases such that the household is now a moderate-income tenant would have a new maximum rental cost based on a moderate-income unit. A previous very low, low or moderate income tenant whose income increases above the maximum moderate income limit would have a rental cost that would be the lesser of: a) thirty percent (30%) of the actual household income of the tenant; or b) market rate rent. The property owners/managers must, to the extent possible, maintain the number of units at each income level required by the Inclusionary Housing Agreement recorded on the project.

These provisions shall be enforced through Inclusionary Rental Housing Agreements recorded on each project.

V. Monitoring and Compliance Procedures

1. PROJECT MONITORING AND COMPLIANCE

A. MONITORING PROCEDURES: RENTAL PROPERTIES

General Policies:

Rental projects developed under the Inclusionary Program are monitored every two years to determine compliance with the terms of the Regulatory Agreement recorded against the property. The areas to be included in the monitoring process include tenant incomes and rents, payment of property taxes and hazard insurance and review of the terms of the leases.

An annual certification of ownership is required. The rent schedule for the Inclusionary Program will be provided to the owner with the certification request.

Procedures:

1. A Monitoring Review Form is initiated for each project. The terms of the Inclusionary Agreement are verified and the rent and occupancy limits are noted on the form.
2. Initial letters are mailed to property owners requesting completion of certifications regarding non-discrimination policies, names and incomes of tenants and the household size, rents charged, and ownership status. Copies of Income Guidelines and Rent Schedules appropriate for the development will be included in the mailing. The owner is instructed to give the tenants a form entitled Tenant Income Verification for completion. These forms are to be returned along with documentation of hazard insurance and copies of current leases.
3. Second Notices are sent by certified mail if the property owner does not respond within fourteen business days.
4. Correspondence will be sent by the sheriff's office, process server, delivery service or hand delivered to the address by a staff member if the property owner fails to respond in a timely manner to the second notice or if mail has been refused or returned as undeliverable. Owners who fail to respond within seven business days will be referred to County Counsel for further action.
5. Assessors Office records will be reviewed to verify current ownership and mailing addresses where appropriate.

6. Failure to cooperate with the monitoring review process will be considered a breach of the Inclusionary Agreement and the Regulatory Agreement. County Counsel will be notified of any such breach in order that legal remedies may be initiated.
7. The income guidelines of the Section 8 Program are utilized by Redevelopment and Housing Office staff for the monitoring review.
8. Staff will review information provided by the owner and tenants to determine compliance with the Inclusionary Agreement and Regulatory Agreement as it pertains to allowable rents, number of restricted units, current income of tenants and any further restrictions on occupancy specified in the Agreement.
9. The review of rent affordability will include the standards set forth in the Inclusionary Agreement for each individual project.
10. Leases are reviewed to determine if non-discrimination policies and prohibitions against subletting are included.
11. If there are discrepancies between the statements of the owner and tenant, additional documentation will be requested.
12. Payment of hazard insurance in an amount sufficient to replace the structures shall be verified.
13. A letter will be issued to the property owner addressing any compliance issues. The letter will specify a corrective action deadline. In general, a 30-day period will be adequate.
14. When a property has changed ownership without notice to the County and this information becomes known at the time of the monitoring review, staff will schedule an appointment with the new owner to discuss the provisions of the Inclusionary Agreement. Current Rent Schedules and Income Guidelines will be provided.
15. The Monitoring Review Form will be completed. The Inclusionary Housing database will be updated to reflect compliance or non-compliance.
16. Other County offices may be alerted when the monitoring review reveals code violation or dangerous situations.
17. Every effort will be made to provide owners and tenants with the appropriate information to ensure a successful monitoring resulting in full compliance with the Inclusionary Housing Program.

However, referrals will be made to County Counsel because of failure to cooperate or non-compliance.

B. MONITORING PROCEDURES: FOR SALE UNITS

General Policies:

It is the policy of the County of Monterey to annually monitor compliance with the terms and conditions of the Inclusionary Housing Agreement recorded against for-sale units developed under the Inclusionary Housing Program.

Annual Monitoring will include the owner occupancy requirement and prohibitions against rental of the dwelling. The review will provide owners with an opportunity to become familiar with the guidelines of the Inclusionary Housing Program and any changes in adopted policies and procedures.

Monitoring Procedures:

1. Initial letters are mailed to property owners requesting completion of a certification of owner-occupancy and documentation in the form of a utility bill with the name and address shown.
2. Second notices are sent by certified mail if the property owner does not respond within fourteen business days.
3. Correspondence may be sent by the sheriff's office, process server, delivery service or hand delivered by staff when the owner fails to respond to the second notice.
4. Assessors Office records will be reviewed to verify current homeowner's exemption, possible change in ownership and mailing addresses where appropriate.
5. If a property has changed ownership without notice to the County and this information becomes known at the time of the monitoring review, staff will schedule an appointment with the new owner to discuss the provisions of the Inclusionary Housing Agreement. Areas of concern will include review of the buyers' ability to meet standard program eligibility requirements, purchase price and continued participation in the program. County Counsel will be notified of any non-compliance issues in order that appropriate legal remedies can be implemented.
6. Where the review raises compliance concerns, the owner will receive written notice of the compliance issue. In general, a 30-day corrective action period will be given.

7. Other County offices may be alerted when the monitoring review reveals code violations or dangerous situations.
8. Every effort will be made to provide owners with the information needed to complete the monitoring review and maintain compliance with the Inclusionary Housing Agreement. However, referrals will be made to County Counsel when appropriate because of non-compliance. Legal remedies specified in the Agreement or otherwise allowed under County Code or State and Federal law will be implemented

2. PROGRAM MONITORING

A. ANNUAL HOUSING REPORT

As part of the Annual Housing Report prepared each year by the Redevelopment and Housing Office, there will be a brief summary of the accomplishments and challenges of the Inclusionary Housing Program for the previous year.

B. FIVE YEAR REPORT

At least every five years, the Redevelopment and Housing Office will prepare a complete evaluation of the Inclusionary Housing Program. This evaluation will include a summary of housing units produced, households assisted, In-Lieu Fees collected and the use of those fees, recommendations for policy or Ordinance revisions, etc. The public will be asked to comment on the report either prior to or during its preparation and the final report will be presented to all appropriate review bodies.

VI. Other

1. EXEMPTIONS TO ORDINANCE

There are exemptions from the Ordinance for developments such as farmworker housing, mobile home park developments and other specific development situations (Section 18.40.050).

In addition, in situations where the party subject to a fully executed inclusionary housing agreement, or other document regulating or limiting the operation, price or rent of an inclusionary unit, believes that the document requires modification as a result of unusual circumstances which could not have been foreseen at the time the document was entered into, the affected party may apply to the County Board of Supervisors for modification of the document. (Section 18.40.100 D).

2. POLICIES FOR AMENDMENTS TO AGREEMENTS

(For Agreements executed prior to the Adoption of the 2003 Inclusionary Housing Ordinance Amendments)

An Inclusionary Buyers Agreement executed prior to the adoption of the 2003 Ordinance Amendments may be amended to include new provisions of the 2003 Ordinance. Amendments may include allowing the existing inclusionary homeowner to refinance their unit to obtain cash and provide for bedroom additions with the total amount of encumbrances not to exceed 100% of value. However, the terms of their original agreement will prevail in all other areas including resale value calculations and affordability periods (except as noted below).

3. AFFORDABILITY PERIOD REQUIREMENTS FOR EXISTING INCLUSIONARY UNITS

Sale of an Existing inclusionary unit During Affordability Period

If an inclusionary homeowner decides to sell their unit during the affordability period in effect according to the terms of their Buyers Agreement, the unit shall be sold to another qualified inclusionary buyer according to the procedures outlined in this manual, including the payment of applicable service fees. However, the new Buyers Agreement shall specify a new affordability period as defined in the Inclusionary Housing Ordinance in effect at the time the unit is sold.

4. SERVICE FEES

On April 26, 2011, the Monterey County Board of Supervisors approved Resolution #11-117 that authorized the collection of Service Fees for certain

functions required for the Inclusionary Housing Program. The services associated with the adopted fees include processing Sale and re-Sale of units; processing requests for refinances; providing initial and subsequent sale and re-sale values for ownership units; and qualifying tenants for: initial occupancy for Inclusionary Rental Units in multi-family projects, initial occupancy and turnover for Inclusionary Rental Units in projects less than 4 units and ownership units that are being rented; and as otherwise provided for in the Inclusionary Housing Agreement. The adopted fees are assessed per transaction as follows:

Initial Sale:	\$500.00
Re-Sale:	\$500.00
Re-Finance:	\$200.00
Re-Sale Value:	\$ 35.00
Qualifying a Tenant:	\$200.00

These fees are to be collected from the project developer, inclusionary owner, or inclusionary rental owner depending on what is being requested. The requested service must be in writing accompanied by payment in a form of payment acceptable to the Redevelopment and Housing Office as determined by the Director.

VII. APPENDICES

APPENDIX A. HOMEOWNER FACT SHEET

On the following page is a sample fact sheet that explains the Inclusionary Housing Program for a prospective homeowner. This fact sheet should be provided to potential applicants when they inquire about the program. This fact sheet should be available in both English and Spanish.

**INCLUSIONARY HOUSING PROGRAM
INFORMATION FOR POTENTIAL INCLUSIONARY HOMEOWNERS**

1. What is the Inclusionary Housing Program?

The County of Monterey requires that 20% of all newly constructed units must be affordable to very low, low and moderate-income households. Developers must agree to sell 20% of their units at an affordable price to a very low, low or moderate-income household.

2. What is an Affordable Price?

The County of Monterey calculates affordable sale prices annually. The calculation is based on median household incomes for Monterey County and the assumption that no more than 30-35% of an average household's income should be spent for housing costs.

3. How Can I Buy an Inclusionary Housing Unit?

The County maintains an eligibility list for prospective inclusionary homeowners. Generally, a household can qualify if it has a household income that is below the maximum limits for low or moderate-income. Priorities are given to households who have members that live or work in Monterey County. Contact the phone number listed on the bottom of this sheet for more information about household income limits or being placed on the eligibility list.

4. What are my Responsibilities if I Buy an Inclusionary Housing Unit?

In return for the opportunity to purchase a home at an affordable price, the County requires the following while you own the home:

- Maintain property insurance on the home;
- Keep your home (including landscaping) in decent condition;
- Live in the home as your primary residence (in an emergency situation, you can rent your home to another low/moderate income household BUT you must obtain the County's permission prior to renting it);
- When you sell your home, you must sell it for the price determined by the County. You also must sell it to another eligible inclusionary homeowner. The RESALE PRICE is restricted and determined by the County – **it is likely that the resale price will be less than other similar properties that are not inclusionary housing units; and**
- You must co-operate with any monitoring requests during the time you live in the home (such as verification that you are using the home as your primary residence or verification that you are maintaining your property insurance).

**FOR FURTHER INFORMATION:
County of Monterey
Redevelopment and Housing Office
(831) 755-5390**

APPENDIX B. DEVELOPER FACT SHEET

On the following page is a sample fact sheet that explains the Inclusionary Housing Program for a prospective developer of inclusionary housing units.

**INCLUSIONARY HOUSING PROGRAM
INFORMATION FOR POTENTIAL DEVELOPERS OF INCLUSIONARY UNITS**

1. What is the Inclusionary Housing Program?

The County of Monterey requires that 20% of all developments of 3 or more units must be affordable to very low, low and moderate-income households. Developments of 3-4 units can pay an In-Lieu Fee instead of constructing a unit. Developments of 5 or more units are expected to construct Inclusionary housing units.

2. How Many inclusionary Units Will I Have to Provide?

The 20% Inclusionary Requirement includes the following:

*6% affordable to very low-income households,
6% affordable to low-income households, and
8% affordable to moderate-income-households.*

Depending on the size of the development you are proposing, you will be required to provide inclusionary units that are affordable to different household income levels.

3. Who Determines the Sale Price (or Rent) for the Inclusionary units?

Staff at the County of Monterey, Office of Housing and Redevelopment, will be able to provide you with affordable the sale price or rent for the inclusionary units. The sale price/rent is based on a formula using median household incomes for Monterey County.

4. Who Can Buy or Rent an Inclusionary Unit from Me?

Homeowner Units: The County maintains a list of prospective inclusionary homebuyers. When your inclusionary unit is ready to be sold, the County will provide you with the names of several prospective homebuyers. You must sell the unit to an eligible inclusionary household at the affordable sale price provided by the County.

Rental Units: You must rent the inclusionary rental unit to a household that is qualified by the County (or its designee) as being very low, lower or moderate income. You can select the tenant assuming you follow all fair housing laws and marketing/selection requirements specified by the County.

5. What Are My Responsibilities Once I Sell/Rent the Inclusionary Unit?

Homeowner Units: Once your unit is sold to an eligible inclusionary homeowner, you have no further responsibilities.

Rental Units: Rental units must continue to remain affordable and occupied by eligible households in perpetuity. Property owners must agree to these restrictions and must agree to cooperate with all monitoring requests by the County.

**FOR FURTHER INFORMATION:
County of Monterey
Office of Housing and Redevelopment
(831) 786-1350**

APPENDIX C. DEVELOPER PROCEDURES

**INCLUSIONARY HOUSING PROGRAM DEVELOPMENT REVIEW
PROCESS**

1. Planning receives an application for development of a residential project (i.e., subdivision or use permit).
2. If the project will result in new units, Planning sends a referral package to the Redevelopment and Housing Office (RHO).
3. The RHO reviews the application to determine the Inclusionary Housing requirements or if the project is exempt.
4. The RHO notifies the assigned planner of the requirements and requests additional information as necessary. If the project involves on-site compliance the applicant will likely be asked to submit additional information about the proposed inclusionary units (design and location) to ensure that the CEQA review includes enough detail.
5. The RHO prepares a draft memo to the Planner that provides an analysis of the Inclusionary requirements, recommendation pertaining to compliance, and draft findings and a condition of approval for inclusion in the project packet for consideration by the Approving Body.
6. The draft staff report prepared by the project planner for the project is reviewed by the RHO prior to the hearing to ensure that the conditions and draft findings of approval pertaining to Inclusionary Housing are acceptable.
7. The Approving Body is not required to approve but may consider a draft Inclusionary Housing Agreement as part of its approval of the project and can require that the approved Inclusionary Housing Agreement be recorded prior to the recordation of the Final Map or issuance of building permits.
8. The Inclusionary Housing Agreement and supporting documents are executed by the applicant and the RHO and recorded and/or Inclusionary In-Lieu Fees are paid or secured.
9. The RHO “clears” the Inclusionary Housing conditions of approval by sending a memo to the project planner along with supporting documents.

APPENDIX D. INCOME AND ASSET DEFINITIONS

The following definitions shall be used in determining applicant eligibility for the County's Inclusionary Housing Program. To be eligible for the program, applicants must meet both the income and the asset limitations.

1. INCOME

Maximum Income Limitation

Households occupying inclusionary units shall have incomes that are very low, low and moderate-income, as specified by the contractual agreement for the residential development in which they are located. The definition of very low, low (lower) and moderate-income shall be the same as provided by HCD/HUD and the State of California annually for the Monterey County area. See Appendix E of this document for the current income limits.

2. DEFINITION OF INCOME

The definition of income shall be the same as the federal definition found in 24 CFR Part 5 (commonly known as the "Section 8" definition). As specified in 24 CFR Part 5, the income derived from any assets shall be included in the income calculation. *The only exception to this is when a homeowner applicant is using any of their assets to pay for down payment or closing costs to purchase the inclusionary unit. In that case, the potential "income" from those assets shall not be calculated.* The value of the asset itself, however, is still counted under the asset limitation test below.

3. ASSETS

Maximum Asset Limitation

Homeowners:

The maximum asset limitation is the total of the following for homeowner households:

1. 30% of the purchase price
2. 25% of current median income
3. 6 months of living expenses based on household size

Renters:

Upon initial occupancy, households who are applying for a rental inclusionary unit cannot have assets that exceed \$30,000 for non-elderly households and \$75,000 for elderly households.

Definition of Assets

Assets used to determine the maximum asset limitation allowed are defined in the following table. Any assets disposed of within 12 months prior to applying for an inclusionary unit shall also be included in the calculation of maximum assets. However, exceptions to this may be made in circumstances where assets were disposed of in order to pay medical, legal or other necessary expenses. The Housing and Redevelopment Manager shall approve all such exceptions.

Assets to be Included in Maximum Asset Limitation	Assets to be Excluded in Maximum Asset Limitation
<ol style="list-style-type: none"> 1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 12 month balance 2. Cash value of trusts available to the applicant. 3. Equity in real estate or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs that would be incurred in selling the unit. 4. Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts. 5. Lump sum or one-time receipts, such as inheritances, lottery winnings, insurance settlements, etc. 6. Personal property held as an investment such as gems, jewelry, coin collections, etc. 7. Mortgages or deeds of trusts held by the applicant. 	<ol style="list-style-type: none"> 1. Necessary personal property except as noted in #6 of the "included" assets. Necessary personal property includes household goods and reasonable transportation. 2. The current value of individual retirement and Keogh accounts. (Any income currently being received from such accounts however shall be considered as "income" in the income calculations.) 3. Cash value of life insurance policies available to the individual before death. 4. Assets that are part of an active business. "Business" does not include rental property that is held as an investment and not a main occupation. 5. In the case of an inheritance of an inclusionary property, the equity in the inclusionary property shall not be counted as an asset in determining whether the party who inherits the property is income/asset eligible.

APPENDIX E. INCOME LIMITS (UPDATE ANNUALLY)

The following income limits shall be updated annually, based on information provided by the U.S. Department of Housing and Urban Development (HUD) or the State of California, Department of Housing and Community Development.

**2010 Household Maximum Income Limits,
County of Monterey (Updated Annually)**

INCOME CATEGORY	1 PERSON	2 PERSONS	3 PERSONS	4 PERSONS	5 PERSONS	6 PERSONS
Very Low (0-50% of median income)	\$23,150	\$26,450	\$29,750	\$33,050	\$35,700	\$38,350
Low/Lower (51-80% of median income)	\$37,050	\$42,350	\$47,650	\$52,900	\$57,150	\$61,400
Moderate (81-120% of median income)	\$55,500	\$63,450	\$71,350	\$79,300	\$85,650	\$92,000

**APPENDIX F. INITIAL SALE PRICE, REFINANCING AND RESALE STAFF
PROCEDURES**

1. CRITERIA FOR DETERMINING INITIAL SALE PRICE

Very Low Income Units:

- *Housing Cost to Income Ratio:* 30% of 50% of Area Median Income (AMI) or the maximum income for a very low income household, adjusted for bedroom and household size
- *Interest Rate and Term:* 7.5% Interest, 30 Year Term
- *Down Payment:* 10% of Sale Price
- *Estimates of:* property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land)

Low/Lower Income Units

- *Housing Cost to Income Ratio:* 30% of 70% of AMI, adjusted for bedroom and household size
- *Interest Rate and Term:* 7.5% Interest, 30 Year Term
- *Down Payment:* 10% of Sale Price
- *Estimates of:* property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land).

Moderate income Units:

- *Housing Cost to Income Ratio:* 35% of 110% of AMI, adjusted for bedroom and household size
- *Interest Rate and Term:* 7.5% Interest, 30 Year Term
- *Down Payment:* 10% of Sale Price
- *Estimates of:* property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land).

INITIAL SALE PRICES FOR INCLUSIONARY UNITS CHART (Updated Annually)

2010 Initial Sale Prices for Inclusionary Units, County of Monterey

HOUSEHOLD INCOME LEVEL	SALE PRICE OF A 1 BEDROOM UNIT	SALE PRICE OF A 2 BEDROOM UNIT	SALE PRICE OF A 3 BEDROOM UNIT	SALE PRICE OF A 4 BEDROOM UNIT	SALE PRICE OF A 5 BEDROOM UNIT
Very Low Income (50%)	\$90,670	\$101,983	\$113,294	\$122,379	\$131,463
Low/Lower Income (70%)	\$127,027	\$142,925	\$158,673	\$171,419	\$184,169
Moderate Income (110%)	\$232,660	\$261,656	\$290,750	\$314,046	\$337,342

2. CRITERIA FOR DETERMINING RESALE/REFINANCING VALUES

These procedures are used when an inclusionary housing owner decides to sell their property, refinance an existing mortgage or add a second deed of trust, during the period of affordability.

A. Calculating Resale/Refinancing Value Without a Bedroom Addition

1. Property Owner notifies County that they wish to sell, refinance or add a second deed of trust to their property.
2. Staff calculates new resale/refinancing value by:
 - a. Use original sale price as base figure,
 - b. Calculate percentage change in median income from original sale date to current date or most recent household income figures,
 - c. Apply the percentage change figure for median income to original sale price, which is the maximum resale value/price with the following modifications,
 - d. If unit is in decent condition based upon acceptable documentation, apply home improvement credit in the amount of 10% to original sale price,
 - e. If unit is not in decent condition based upon acceptable documentation, the 10% credit shall be reduced in an amount sufficient to correct deficiencies,
 - f. Add the additional home improvement credit amount (from steps “d” or “e”) to the maximum resale value derived in step c. This is the new resale value/price as modified by home improvement credits.
3. Check new resale value/price to ensure that loan to value (including existing and proposed new loans) does not exceed 100% of resale value/price. Also check if new resale value/price derived from steps a-f above exceeds maximum affordability standard. If so, reduce the resale value/price to a value/price that does not exceed the maximum affordability standard.
4. Staff notifies property owner and lender (if appropriate) of new resale/refinancing value and, if applicable, amount of new encumbrance allowed (for refinancing/second deeds of trust).
5. If needed, Housing and Redevelopment Program Manager or designee shall execute agreement to subordinate County’s interest

to the first or second loan holder. The agreement shall include provisions for notice of default and cure rights for the County.

6. If owner takes cash out from the refinancing, staff prepares amendment to existing Resale Restriction Agreement, which will allow property owner to refinance or add additional second deed of trust. Staff sends amendment to property owner for their signature. Staff will verify whether cash is taken out from Estimated Closing Statement from Lender/Title Company. If no cash is taken out, no amendment is required.
7. Upon receiving signed amendment from property owner, staff arranges to have appropriate County representative sign amendment and then records amendment.
8. Staff files recorded agreement in property owner's file and ensures that the file reflects new refinancing/second deed of trust information. Staff obtains final closing statement at close of escrow. Staff also records request for notice of default.

B. Calculating Refinancing Value With a Bedroom Addition

1. Property Owner notifies County that they wish to refinance or add a second deed of trust to their property and are planning on a bedroom addition.
2. Staff calculates new resale value and amount of new encumbrance allowed by:
 - a. Use original sale price as base figure,
 - b. Calculate percentage change in median income from original sale date to current date or most recent household income figures,
 - c. Apply the percentage change figure for median income to original sale price, which is the maximum resale value/price with the following modifications,
 - d. If unit is in decent condition based upon acceptable documentation, apply home improvement credit in the amount of 10% to original sale price,
 - e. If unit is not in decent condition based upon acceptable documentation, the 10% credit shall be reduced in an amount sufficient to correct deficiencies,
 - f. Add the additional home improvement credit amount (from steps "d" or "e") to the maximum resale value derived in step c. This is the new resale value/price as modified by home improvement credits.

3. Calculate value of bedroom addition by calculating the change in household size estimate. For example, a bedroom addition to an existing 3-bedroom structure (4 person household size estimate) would result in a 4-bedroom unit and a 5-person household size estimate. The value of the bedroom addition depends on the dollar difference between the median income for a 5-person household as compared to the median income for a 4-person household. Using this dollar amount, estimate the amount of new loan that can be financed with this dollar amount using a 30% for low/very low income and 35% for moderate income housing cost to income ratio and the inclusionary underwriting standards.
4. Add the value of the bedroom credit (step 3) to the maximum resale value derived in step 2 (f).
5. Check new resale value/price from step 4 to ensure that loan to value (including existing and proposed new loans) does not exceed 100% of new resale value/price as derived in step 4. Also check if new resale value/price derived from step 4 exceeds maximum affordability standard. If so, reduce the resale value/price to a price that does not exceed the maximum affordability standard.
6. Staff notifies property owner and lender (if appropriate) of new resale value and amount of new encumbrance allowed (including bedroom addition allowance as calculated in step 2 (e) above).
7. If needed, Housing and Redevelopment Program Manager or designee shall execute agreement to subordinate County's interest to the first or second loan holder. The agreement shall include provisions for notice of default and cure rights for the County.
8. If owner wants to take cash out from the refinancing, staff prepares amendment to existing Resale Restriction Agreement, which will allow property owner to refinance existing debt or add additional second deed of trust. Staff sends amendment to property owner for their signature. Staff will verify whether cash is taken out from Estimated Closing Statement from Lender/Title Company. If no cash out, no amendment is required.
9. Upon receiving signed amendment from property owner, staff arranges to have appropriate County representative sign amendment and then records amendment.
10. Staff files recorded agreement in property owner's file and ensures that the file reflects new refinancing/second deed of trust information.
11. Staff verifies that property owner has the appropriate building permit for the new bedroom addition.
12. Staff instructs lender or other appropriate body to open escrow account for bedroom addition amount with joint signatures for releasing funds required of both property owner and County. If bedroom addition is not

completed within a reasonable time frame, staff will instruct that the funds in escrow be paid back to the lender.

13. Upon notice from property owner, staff inspects property and approves release of funds for bedroom addition as appropriate during the construction process. Staff obtains final closing statement at close of escrow. Staff records request for notice of default.

Bedroom Addition Calculation

Calculate the value of bedroom addition by calculating the change in household size estimate. For example, a bedroom addition to an original 3-bedroom structure (4 person household size estimate) would result in a 4-bedroom unit and a 5-person household size estimate. The value of the bedroom addition depends on the dollar difference between the Area Median Income (AMI) for a 5-person household as compared to the AMI for a 4-person household. Using this dollar amount, estimate the amount of new loan that can be financed with this dollar amount using a 30% for low/very low income and 35% for moderate income housing cost to income ratio and the County’s typical underwriting standards.

**2010 Bedroom Addition Values,
County of Monterey (Updated Annually)**

HOUSEHOLD INCOME LEVEL	ORIGINAL 1 BEDROOM UNIT	ORIGINAL 2 BEDROOM UNIT	ORIGINAL 3 BEDROOM UNIT	ORIGINAL 4 BEDROOM UNIT
Very Low Income	\$10,900	\$10,900	\$8,760	\$8,760
Low Income (70%)	\$15,190	\$15,190	\$12,150	\$12,150
Moderate Income (110%)	\$27,950	\$27,950	\$22,320	\$22,320

Example of Calculating Resale/Refinancing Value of Bedroom Addition

1. CALCULATE RESALE/REFINANCING VALUE

Assumptions:

- Originally, unit was a 3 bedroom, 2 bath single family unit (moderate income)
- Initial Sale Price was \$150,000 in 1995
- In 2003, the owners wanted to add a 4th bedroom

Calculation:

3. CRITERIA FOR DETERMINING MAXIMUM AFFORDABILITY STANDARD

When inclusionary units are sold, refinanced or request a bedroom addition, staff needs to ensure that the resale price/value of the unit does not exceed the maximum affordability standard. This standard is the maximum allowable price or value for the inclusionary unit. The critical difference between the maximum affordability standard and the criteria used for sale price and bedroom addition determination is that: low/lower income limits are set at 80% of median instead of 70% and moderate income limits are set at 120% instead of 110%. Very Low Income limits remain the same at approximately 50% of median income. The higher income limits for low/lower and moderate-income allow for some flexibility for inclusionary units that may have been priced incorrectly in the beginning years of the program and would experience substantial negative equity if 70%/110% income standards were imposed. Therefore, the 80%/120% limits provide slightly more flexibility in maximum sale prices while still retaining the affordability of the units to the next purchaser.

CRITERIA TO BE USED IN DETERMINING MAXIMUM AFFORDABILITY STANDARDS:

Very Low Income Units:

- *Housing Cost to Income Ratio:* 30% of very low income limit (usually 50% of AMI), adjusted for bedroom and household size
- *Interest Rate and Term:* 7.5% Interest, 30 Year Term
- *Down Payment:* 10% of Sale Price
- *Estimates of:* property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land).

Low/Lower Income Units:

- *Housing Cost to Income Ratio:* 30% of lower income limit (usually 80% of AMI), adjusted for bedroom and household size
- *Interest Rate and Term:* 7.5% Interest, 30 Year Term
- *Down Payment:* 10% of Sale Price
- *Estimates of:* property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land).

Moderate Income Units:

- *Housing Cost to Income Ratio:* 35% of moderate income limit (usually 120% of AMI), adjusted for bedroom and household size
- *Interest Rate and Term:* 7.5% Interest, 30 Year Term
- *Down Payment:* 10% of Sale Price
- *Estimates of:* property taxes, assessments, loan insurance and financing fees, allowance for property maintenance and repairs, homeowners insurance, homeowner association dues, allowance for utilities and land rent (if home is on rented land).

2010 Maximum Affordability Standard for Inclusionary Units, County of Monterey (Updated Annually)

HOUSEHOLD INCOME LEVEL	MAXIMUM AFFORDABILITY STANDARD OF A 1 BEDROOM UNIT	MAXIMUM AFFORDABILITY STANDARD OF A 2 BEDROOM UNIT	MAXIMUM AFFORDABILITY STANDARD OF A 3 BEDROOM UNIT	MAXIMUM AFFORDABILITY STANDARD OF A 4 BEDROOM UNIT
Very Low Income (50%)	\$83,300	\$93,754	\$104,211	\$112,609
Low Income (80%)	\$122,757	\$142,223	\$161,491	\$176,984
Moderate Income (120%)	\$233,336	\$262,545	\$291,750	\$315,146

APPENDIX G. IN LIEU FEE AND IN-LIEU FEE PAYMENT PROCESS**2000 IN-LIEU FEE SCHEDULE****(Current Schedule as of June, 2011)****MONTEREY COUNTY****INCLUSIONARY HOUSING PROGRAM**

Adopted by the Board of Supervisors on November 7, 2000

Effective Date: December 8, 2000

Planning Area	In-lieu fee for one on-site unit
Greater Monterey Peninsula	\$275,392
Coast	\$729,320
North County	\$67,813
Toro	\$160,610
Cachagua	\$25,729
Greater Salinas	\$47,021
Central Salinas Valley	\$29,173
South County	\$22,950
Redevelopment Area	\$23,402

I. Process for Payment of In-Lieu Fee

A. For developments that pay only an In-Lieu Fee (i.e. development does not include the provision of inclusionary units):

Conditions of Approval for the development will include the In-Lieu Fee amount. The In-Lieu Fee would then be paid in full to the County prior to recordation of parcel or final maps of the development that created the In-Lieu Fee requirement, or where the residential development is not subject to subdivision approval, prior to issuance of the first building permit for the development.

B. For developments that include both inclusionary units and payment of In-Lieu Fees:

See flow chart on next page.

IN-LIEU FEE PAYMENT PROCESS

(For Developments that include both inclusionary units and Payment of In-Lieu Fees)

FIRST APPROVAL OF A RESIDENTIAL DEVELOPMENT



- 1. Conditions of approval specify the In-Lieu Fee obligation and states that the fee shall be calculated based on the In-Lieu Fee in effect at the time the application is deemed complete for a subdivision/use permit or at the time of the first building permit issuance, if there is no subdivision.**

FINAL MAP STAGE/BUILDING PERMITS



- 1. Prior to recordation of parcel map or final map, Developer and County sign Master Inclusionary Developer Agreement.**
- 2. In-Lieu Fee is paid prior to recordation of Final Map, or if no map, prior to issuance of first Building Permit, as specified in the Master Inclusionary Developer Agreement.**

APPENDIX H. MAXIMUM RENTS AND UTILITY ALLOWANCE TABLES**2010 Maximum Rents (Includes Utility Allowances)**

	STUDIO	1 BEDROOM	2 BEDROOM	3 BEDROOM	4 BEDROOM	5 BEDROOM
Very Low (50%)	\$533	\$608	\$684	\$760	\$821	\$881
Low/Lower (60%)	\$639	\$730	\$821	\$912	\$985	\$1,058
Moderate (110%)	\$1,170	\$1,337	\$1,505	\$1,673	\$1,806	\$1,940

Instructions for Calculating Rents:

1. Use household size of 1 person per bedroom plus 1 person (e.g. the rent for a 2 bedroom unit would be based on the median income for a 3 person household).
2. Use 30% of household income as the maximum rent allowed.
3. The maximum rent includes a utility allowance. Therefore, the rent that the tenant pays to the landlord is the maximum rent less the utility allowance.
4. Rents are based on 50%, 60% and 110% of median income. However, eligibility for the units is based on 50%, 80% and 120% of median income, adjusted for household size.

Utility Allowances

The Housing Authority updates utility allowances annually. On the following pages are the current utility allowances to be used in calculating affordable housing costs for inclusionary rental units.

(Staff: Update these utility allowances annually. Go to the Housing Authority web site and download the utility allowances. The web site is www.hamonterey.org. Under the "Where do you want to go?" bar, select Section 8 program. At the Section 8 page, scroll down to Utility Allowances.)

PROCEDURES FOR THE RESALE OF THE INCLUSIONARY HOUSING UNIT

Owner to initiate the resale with the following steps:

You submit your request letter to the County, signed by owner, requesting the inclusionary value of your home. Make sure you provide all of your contact information. Also submit a \$35 value fee payable to County of Monterey to receive Value Letter.

County will issue you the value of your inclusionary unit and the Notice to Sell.

You complete and submit to the County the Notice to Sell along with a \$500 processing fee for the resale payable to County of Monterey.

You order your Structural Pest Inspection Report and Section 1 items Clearance and the Home Inspection Report and Clearance of fire, health and safety hazards. Submit copies of all to County.

Provide the County contact information of your selected buyer and back-up buyer, if you have one in mind.

OR County will announce the resale of your inclusionary unit to the persons on the County's Inclusionary Waitlist. You show your inclusionary unit to the interested buyers from the Waitlist and you select your buyer and back-up buyer. Refer your selected buyer to the County for Eligibility Determination. You notify the selected buyer and back-up buyer that you've selected them.

Your selected buyer needs to submit to County an income and asset package so County can qualify buyer as an Inclusionary Buyer. County will provide the Checklist and application to the selected buyer.

After County income and asset qualifies your buyer, then you can enter into contract and open escrow with a title company of your choice. The County does not intervene much, County just works with buyer's lender to obtain copies of all the documents we need to close the sale transaction. County will have Buyer come and watch a 15-minute video of the Inclusionary Program during this time. During this time, the Lender and buyer work on ordering inspections and appraisal for final loan approval.

County works closely with the Lender and Title Company to obtain the following documents for Buyer:

DOCUMENTS NEEDED TO DRAW COUNTY DOCUMENTS FOR PURCHASE OF INCLUSIONARY HOUSING UNIT

- Approval letter for County's affordable housing programs (completed by County);
- Copy of current loan pre-approval letter from lender;
- Copy of complete, fully executed purchase/sale agreement;
- Signed/dated Federal tax returns;
- Copy of preliminary title report listing all current County housing documents;
- Lender's Loan Estimate;

Buyer's loan approval with all conditions listed;
Escrow's estimated closing statement (HUD-1);
Copy of lender's final 1008 and 1003 with all final terms of first loan;
Copy of appraisal;
Structural Pest Inspection Report and Clearance;
Copy of the Home Inspection Report and Clearance of fire, health and safety hazards;
Copy of new Note and D/T prior to buyer signing County docs.

After County receives and reviews ALL of the above documents, County draws the County documents (Inclusionary Agreement, Deed of Trust, Note, ect.) for Buyer to sign. Buyer can concurrently sign the County and Lender's documents in escrow.

County prepares the Release of the Inclusionary Agreement for the seller (current owner) and sends to escrow for signatures.

Transaction closes escrow.

NOTICE TO SELL INCLUSIONARY HOUSING UNIT

DATE: _____

TO: Monterey County Housing and Community Development Department
1441 Schilling Place, South 2nd Floor
Salinas, CA 93901

FROM: Seller: _____
Address: _____
Phone #: _____

SUBJECT: NOTICE TO SELL INCLUSIONARY HOUSING UNIT

I/We herewith notify you that I/we am/are selling the Inclusionary housing unit at the above address in accordance with the requirements of the Inclusionary Housing Ordinance. I/We understand that I/we will have to submit the names of potential buyers of this unit to the Housing and Community Development Department office for final certification. I/We will make a “good faith effort”, lasting a minimum of 60 days, to sell the unit to another qualified buyer. ***The \$500 fee is enclosed with this Notice.***

The Realtor I/we am/are using is:

Name: _____
Address: _____
Phone #: _____
Realty Firm: _____

Please refer any requests to purchase the above unit to the above contact person.

The unit is a _____
(Townhouse, Condos, Detach SF)

and is described by the following information:

Number of Bedrooms _____	Square Footage _____	Resale Purchase Price: \$ _____
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If there are any questions regarding this information, please contact our office.

Signature of Owner (s):
