



CITY OF
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CITY OF FOLSOM

Affordable Housing Guidelines

Selling & Renting Affordable Deed Restricted Units

June 20, 2016

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Introduction

INCLUSIONARY HOUSING PROGRAM

In 2002 the City of Folsom implemented an Inclusionary Housing Program to increase the amount of affordable housing in the City. As a result of this program, there are currently about 100 Affordable Deed Restricted Units (both condominiums and single-family homes) in the City. At the time of purchase, owners of these units are required to be very low or low income. A household is considered “low income” if the combined household income does not exceed eighty percent (80%) of the Sacramento County area median income, adjusted for household size. A household is considered very low income” if the combined household income does not exceed fifty percent (50%) of the Sacramento County area median income, adjusted for household size. The current Sacramento County area Income Eligibility Chart can be found on the NeighborWorks® Sacramento website.

When owners decide to sell these units, these units may only be sold to another household that qualifies as very low or low income at the designated Inclusionary Housing Affordable Purchase Price as determined by the City.

Program Summary

These guidelines are applicable to existing affordable Deed Restricted Units in the City of Folsom. This documents outlines the processes and procedures for selling or renting Deed Restricted Units and does not include information on purchasing newly created Deed Restricted Units in the City of Folsom.

TARGET MARKETS

The City of Folsom's Inclusionary Housing Program is designed for households who are low to very low income. When affordable units are initially for sale, priority is given to qualified buyers who work in the City of Folsom. The second priority is given to qualified buyers who are currently residents of the City of Folsom (who have been living in Folsom for a minimum of one year prior to the date of application). If no applicants meet these requirements, the program is open to other qualified applicants. If a unit is available for resale or rent, the Affordable Deed Restricted Units are open to all eligible (income qualified) applicants.

ELIGIBILITY

Eligibility

ELIGIBILITY RESTRICTIONS

The initial homeowner of the Affordable Deed Restricted Unit must be a first-time homebuyer. Subsequent owners are not required to be first-time homebuyers. Thus, if the initial owner decides to sell their Affordable Deed Restricted Unit, they do not have to sell their unit to a first-time homebuyer; however, they must attempt to sell the unit to an income eligible buyer. This is determined by the initial purchase category – for example, if the initial homeowner purchased a very low unit, they must sell to a very low-income home buyer.

INCOME ELIGIBILITY

Each property in the program has a designation of either low or very low income. As such, the buyer who wishes to purchase the affordable unit must be certified at the same income level (or lower) to qualify to purchase the Affordable Deed Restricted Unit. For example, a prospective buyer with household income certified at very low is eligible to purchase a very low or low-income unit. However, a prospective buyer with household income certified at low is only eligible to purchase a low-income unit. Most units in Folsom are at the Low Income (80% AMI) level, with a few at the Very Low Income (50% AMI) level, based on HUD income limits for the Sacramento County MSA area.

Income eligibility is based on the entire household's income. All household members over the age of 18 will have their income counted when calculating household income status. NeighborWorks® Sacramento is the organization that will determine income eligibility. Once a prospective buyer meets with NeighborWorks® Sacramento staff and it is determined that the household income meets the income eligibility criteria, an Income Certification Letter will be generated and will be valid for up to six months from the date it was issued.

It is important to note that, while a prospective buyer may meet the income eligibility criteria for an Affordable Deed Restricted Unit, the prospective buyer must be able to qualify for a mortgage to purchase the property or have assets available to purchase the property without a mortgage.

OWNER OCCUPANCY

The Folsom Municipal Code (Section 17.104.090 C.2) requires homeowners, initial or subsequent, to reside in the affordable unit for a period of not less than two years. Once the occupancy obligation has been fulfilled, the City of Folsom may permit the homeowner to rent their Affordable Deed Restricted Unit to another income-eligible person at the same income level of the original for-sale affordable housing price. For example, a very low-income household may be eligible to rent a very low or low-income unit. However, a low-income household will only be eligible to rent a low-income unit. The City of Folsom has specific guidelines for the rental certification process which are located in the *Renting Affordable Deed Restricted Units* section of this document. The City of Folsom verifies occupancy on an annual basis.

ELIGIBILITY

LENGTH OF RESALE RESTRICTION

The City of Folsom Inclusionary Housing Program requires that resale restrictions be placed on the program's Affordable Deed Restricted Unit for a period of 20-30 years from the date the certificate of occupancy was initially issued to a particular unit. The resale restriction on the unit ends only after expiration of the term outlined in the initial recorded Buyers Occupancy and Resale Restriction Agreement and is not based on subsequent purchases of the unit.

Resale Process

STEP 1: NOTIFICATION PROCESS

(Seller's and/or Listing Agent's Responsibility)

The first step in the process of selling an Affordable Deed Restricted Unit is to notify housing staff at the City of Folsom (a list of staff is included in Appendix A). Once the City has been notified of the intent to sell the affordable unit, the City will calculate the maximum sales price (based on the City's Inclusionary Housing Ordinance and the terms of the recorded Inclusionary Housing Agreement) for the affordable unit. The City will notify the seller and/or their agent in writing of the maximum sales price;; the maximum household size for the unit;; the income limits by household size; and the necessary steps an interested buyer and the seller must take to complete the sale.

STEP 2: NOTIFYING NEIGHBORWORKS® SACRAMENTO

(Listing Agent's Responsibility)

The listing agent is responsible for contacting NeighborWorks® Sacramento staff and providing

- ❖ A property photograph
- ❖ Property description of the Affordable Deed Restricted Unit
- ❖ A link to the property listing on the agent's website

These items are required for the listing to be posted on the NeighborWorks® Sacramento website (see Appendix A for contact information). This contact is required within 3 business days of listing the property.

STEP 3: INCOME CERTIFICATION APPOINTMENT AVAILABILITY

(NeighborWorks® Sacramento Responsibility)

NeighborWorks® Sacramento will post the property photograph and property description of the Affordable Deed Restricted Unity on the NeighborWorks® Sacramento website under the Folsom Affordable Housing page. NeighborWorks® Sacramento will initially make available five (5) income certification appointments for the subject unit once it is listed. Additional income certification appointments may be made available if the City of Folsom determines they are necessary. Detailed instructions for scheduling and completing an income certification appointment will be included on the NeighborWorks® Sacramento website under the Folsom Affordable Housing page.

STEP 4: INCOME CERTIFICATION APPOINTMENT

(Prospective Buyer's Responsibility)

Prospective homebuyers must schedule an Income Certification Appointment using NeighborWorks® Sacramento's online scheduling system and provide all required documentation or the appointment will be rescheduled (if there are any available appointments remaining). Appointments can only be reserved on the NeighborWorks® Sacramento website at www.nwsac.org – since NeighborWorks® Sacramento is unable to schedule this appointment type through the front desk. Prospective buyers are required to upload the following information/documentation to the secure document uploader on their NeighborWorks®

RESALE PROCESS

Sacramento customer portal within 24 hours of scheduling the appointment. Detailed instructions about how to upload documents are available on the NeighborWorks® Sacramento website.

Required Documents for Income Certification Appointment

- ❖ Income certification questionnaire (available on the Folsom Resale/Rental page of the NeighborWorks® Sacramento website) – filled out by all applicants
- ❖ Most recent 3 months' proof of income from all household members over 18 including all sources – pay stubs, social security, retirement, pension, etc.
- ❖ Last 2 year's W-2s and tax returns
- ❖ Most recent 3 months' bank statements from all bank accounts – must show adequate funds for the purchase if making a cash offer
- ❖ Most recent 3 months' investment statements from all accounts – stocks, bonds, money market, CDs, etc.
- ❖ Documentation of any other assets held such as real estate, etc.
- ❖ Pre-approval letter from lender (if financing the purchase) or proof of available assets for the purchase

If the prospective buyer does not submit all of the documents within 24 hours they will lose the appointment reservation and it will be reposted on the NeighborWorks® Sacramento website.

At the income eligibility session, the HomeOwnership Planner will determine the prospective buyer's annual household income based on the information and documents provided. **Please note:** In some cases, additional information may be required to complete the certification process. Prospective buyers are also required to provide picture ID at the time of the appointment. At the conclusion of the appointment (if all necessary information has been provided), the HomeOwnership Planner will generate a letter for the customer that indicates their household income status. This letter will be sent to the designated contact at the City of Folsom.

STEP 5: ACCEPTING AN OFFER

(Seller's Responsibility)

Prospective income certified buyers make the purchase offer directly to the seller. It is up to the seller to select the qualified buyer to whom they wish to sell their Affordable Deed Restricted Unit.

STEP 6: CITY OF FOLSOM APPROVAL

(City of Folsom Staff Responsibility)

Once a purchase contract is accepted by the seller from a prospective income certified buyer, the City will review the income certification documents as well as the purchase contract. If upon review of these documents the City determines that the proposed sale meets the Affordable Housing and Buyer's Occupancy and Resale Restriction agreement recorded against the unit, the City will issue an approval letter to allow the transaction to proceed and require that an Acknowledgement of the Affordable Housing and Buyer's Occupancy and Resale Restriction Agreement shall be recorded against the affordable unit through Escrow, acknowledging the Agreement and its binding effect on the Subject Deed Restricted unit.

SELLING AT MARKET RATE

Selling at Market Rate

If the owner of the Affordable Deed Restricted Unit is unable to sell the unit within 60 days of a good faith offering and advertising the unit for sale, the owner may offer to sell the unit to the City at the Affordable Deed Restricted Price at the time of offer. If the City does not purchase the unit within 90 days of the owner's offer of sale to the City, the unit may be sold at the current market price, and the seller shall pay to the City housing trust fund all proceeds from the sale of the unit, less a percentage of profit as specified in the Folsom Municipal Code (see Equity Share section below) and the affordability re-sale obligation terminates.

EQUITY SHARE WITH THE CITY OF FOLSOM

If the Affordable Deed Restricted Unit does not sell within 60 days of the good faith offering and advertising the unit for sale and if the City does not acquire the unit as specified in this section and the City's Inclusionary Housing Ordinance, the subject Affordable Deed Restricted Unit may be sold at the current market price, and the seller will pay the City Housing Trust Fund all proceeds from the sale of the unit less a percentage of the profit, if any. Profit is defined as the net proceeds from the sale after deducting loan(s), ordinary expenses attributed to the seller, including real estate commissions not to exceed 6 percent, and after deducting the current Affordable Deed Restricted Unit Price. If the owner has made improvements to the home, profit will be determined by deducting the adjusted basis of the home, or the current Affordable Deed Restricted Unit Price, whichever is higher. The percentage of the profit retained by the owner will vary according to the number of years an owner owns the residential unit. The percentage of profit to be allocated to the owner is provided as follows:

YEARS CURRENT OWNER OWNED RESIDENCE	PERCENTAGE OF PROFIT TO CURRENT OWNER	PERCENTAGE PROFIT PAID TO THE CITY'S HOUSING TRUST FUND
Less than 1	10%	90%
Less than 2	20%	80%
Less than 3	30%	70%
Less than 4	40%	60%
5 or more	50%	50%

Renting Affordable Deed Restricted Units

The City of Folsom Inclusionary Housing Program may allow a homeowner who has resided in their Affordable Deed Restricted Unit for a period of at least two years to rent their unit to an income eligible renter. The City of Folsom Affordable Deed Restricted Units are rented based on affordability. Thus, the rent rate is based on the definition of affordable low income and very low-income rents as established in the Folsom Municipal Code, section 17.104.020. Note: A current rent rate table can be found on the NeighborWorks® Sacramento website under the Folsom Affordable Housing page.

ELIGIBILITY RESTRICTIONS

Homeowners who obtained a home loan through the City of Folsom down payment assistance program **are not** eligible to rent their unit until that loan is paid off. Even though there is a provision in the Inclusionary Housing Ordinance for renting, the restriction of the down payment assistance program takes precedence over the Inclusionary Housing Guidelines.

INCOME LIMITS

Under the City of Folsom's Inclusionary Housing Program, Affordable Deed Restricted Units may only be rented to an income eligible person at the same income level of the original for-sale affordable housing price. Thus, the type of unit (low income or very low income) the homeowner purchased will determine the income levels for the specific unit being developed. See NeighborWorks® Sacramento website for the current income limits.

QUALIFYING

Renters must be income certified by NeighborWorks® Sacramento prior to entering into a rental contract. Income Certifications are completed via a face to face appointment at the NeighborWorks® Sacramento office located at 2400 Alhambra Blvd. Sacramento, CA. Appointments can be made by calling (916) 452-5356 ext. 0.

STEP 1: NOTIFICATION PROCESS

(Owners Responsibility)

When a homeowner wishes to rent their affordable housing unit, they must first notify the City of Folsom in writing (see Appendix A for contact information) to see if they are eligible to rent the unit and if so, what the maximum rental rate is.

STEP 2: SETTING THE RENTAL RATE

(City of Folsom's Responsibility)

The City of Folsom will determine the rent rate based on the definition of affordable low income and very low-income rents as established in the Folsom Municipal Code, section 17.104.020. The City will notify the homeowner of the monthly amount for which they are allowed to rent the unit. The City of Folsom will also notify NeighborWorks® Sacramento that a homeowner intends to rent their affordable unit and indicate if it is a low-income unit or very low-income unit.

RENTING AFFORDABLE DEED RESTRICTED UNITS

STEP 3: LOCATING A RENTER

(Owner's Responsibility)

The homeowner (if eligible) may begin the process of locating a renter for their affordable unit that meets the income eligibility criteria provided by the City of Folsom.

STEP 4: INCOME CERTIFICATION APPOINTMENT

(Potential Renter's Responsibility)

Once a prospective income eligible renter is located by the homeowner, the homeowner shall direct the prospective renter to schedule an income certification appointment with NeighborWorks® Sacramento to become income certified. A NeighborWorks® HomeOwnership Planner will meet with the prospective renter to determine if he/she meets income eligibility requirements for the program.

Note: The Income Certification fee for each certification appointment is \$75.00 and is required whether or not the potential renter is deemed income eligible. The City of Folsom has agreed to pay for the initial certification appointment for the unit to be rented. If additional appointments are required, the fee will be paid for by the potential renter or homeowner who is attempting to rent out their unit.

For NeighborWorks® Sacramento to determine income eligibility, the applicant must bring the following information to the appointment:

- ❖ Copies of their last 2 years' federal income tax returns,
- ❖ Most recent 3 months' pay statements,
- ❖ Proof of any other form of income,
- ❖ Most recent 3 months' savings, checking, and investment statements,
- ❖ Picture ID

STEP 5: INCOME CERTIFICATION LETTER ISSUANCE

(NeighborWorks® Sacramento's Responsibility)

Following the income certification appointment, NeighborWorks® Sacramento will issue an income certification letter that identifies the prospective renter's income level. A copy of this letter will be provided to the applicant and one will also be sent to the City of Folsom.

ANNUAL CERTIFICATION

Pursuant to the Folsom Municipal Code, section 17.104.090 (C)(2)(c), any person who rents an inclusionary unit is required to annually certify that they qualify for the applicable affordable rent. The process of determining income eligibility on an annual basis is the same as a renter who is initially applying for rental certification.

Annually, renters need to contact NeighborWorks® Sacramento to schedule an income eligibility recertification session. If and when any person(s) who rents an inclusionary unit no longer qualifies at the applicable affordable rent and income levels, that person(s) shall be required to quit the unit.

NeighborWorks® Sacramento will notify The City of Folsom if a renter exceeds the income allowance during their recertification process. The City of Folsom will initiate the process of informing the homeowner and renter that they need to vacate the affordable housing unit.

FAQs for Selling Affordable Deed Restricted Units

WHAT IS INCLUSIONARY HOUSING?

The Inclusionary Housing Ordinance of Folsom gives the opportunity of home ownership to those people who earn incomes at or below “very low income”, “low income”, and “moderate income”, as published by the Department of Housing and Urban Development.

DO I HAVE TO USE A SPECIFIC LENDER TO PURCHASE AN AFFORDABLE DEED RESTRICTED UNIT?

No, this program is available to all lenders who are licensed with NMLS and are a business in good standing with the State of California. The City of Folsom does not maintain a list of approved lenders.

CAN I GET A NON-OCCUPYING CO-SIGNER OR CO-BORROWER TO OBTAIN FINANCING TO PURCHASE AN AFFORDABLE DEED RESTRICTED UNIT?

No. The buyer of the Affordable Deed Restricted Unit is required to be owner-occupant; a non-occupying co-signer or co-borrower will not be allowed to participate in the purchase of the Affordable Deed Restricted Unit.

CAN I USE GIFT FUNDS FROM FAMILY MEMBERS TO PURCHASE THE AFFORDABLE DEED RESTRICTED UNIT?

Yes, the program does not restrict the use of gift funds for the purchase of the Affordable Deed Restricted Unit. The buyer's family members would be required to provide a gift letter with proof of sufficient funds to make the purchase.

CAN AN AFFORDABLE DEED RESTRICTED UNIT BE PURCHASED AS AN INVESTMENT PROPERTY?

No. Buyers of these units are required to remain as owner occupants. Therefore, purchase of an Affordable Deed Restricted Unit for investment or rental purposes is not allowed and is strictly forbidden.

WHAT IF I AM SELF-EMPLOYED? WHAT DOCUMENTATION DO I NEED FOR THE INCOME CERTIFICATION?

Interested buyers that are self-employed will be required to provide a Profit & Loss Statement prepared by a Certified Public Account. The City of Folsom will not accept self-prepared Profit & Loss Statements. The gross income less the allowable deductible expenses (as determined by a tax professional) is what will be used for determining monthly income for those who are self-employed.

WHAT IF I AM A SEASONAL WORKER? HOW WILL MY INCOME BE CALCULATED?

To calculate a seasonal worker's income, we will use the previous 2 years' tax returns and a current Year-to-Date Profit and Loss Statement to calculate self-employment income.

FAQS FOR SELLING AFFORDABLE DEED RESTRICTED UNITS

WHAT IF I AM A STUDENT WITH LITTLE OR NO INCOME?

Students are eligible as long as the student falls under the income limits for the program. If the student currently receives no income, additional documentation will need to be provided to prove the student receives no other subsidy or financial support – ie: statements from IRS, EDD, Dept. Human Services, etc.

WHAT IF I AM RETIRED, AM I ABLE TO PURCHASE THE UNIT WITH MY OWN RETIREMENT FUNDS?

Yes. However, the total retirement funds available will be added to the total liquid assets and for the income certification and .06% of the total assets will be calculated and added to the total household income calculation.

IF I PURCHASE THE AFFORDABLE DEED RESTRICTED UNIT WITH A CASH OFFER, WILL I BE ABLE TO REFINANCE?

It depends. The mortgage lender you are applying with would determine if you are able to obtain a refinance. The City of Folsom's program guidelines do not prohibit existing owners of Affordable Deed Restricted Units, that do not have a loan with the City of Folsom, from being able to refinance.

WHAT IF I PASS AWAY, WOULD MY HEIRS BE ABLE TO KEEP THE AFFORDABLE DEED RESTRICTED UNIT?

The same restrictions for selling and renting an Affordable Deed Restricted Units would apply. If an heir wants to occupy the unit as their new residence, they would be permitted to do so but would be required to notify the City of Folsom and provide proof of their rights as the surviving heir.

FAQs for Renting Affordable Deed Restricted Units

HOW DOES AN AFFORDABLE UNIT BECOME AVAILABLE FOR RENT?

A homeowner who participated in the Inclusionary Housing Program decides to rent their unit.

HOW DOES IT WORK?

The homeowner interested in renting their home will contact the City of Folsom and notify them of their intent. The City of Folsom will determine whether or not the unit is eligible to be rented (based on certain loan status and occupancy requirements) and if so, set the rental price for the affordable unit. The homeowner then locates a potential renter and refers the prospective renter to NeighborWorks® Sacramento to schedule an income certification appointment. NeighborWorks® Sacramento will conduct an income eligibility session and determine the prospective renter's income level. The prospective renter will be provided with a letter indicating their income level. At the conclusion of this appointment, the letter will be provided to the prospective renter and a copy sent to the City of Folsom. To schedule a Folsom Rental Income Certification, call NeighborWorks® Sacramento at (916) 452-5356 ext. 0, be sure to let them know this is for a **rental** income certification.

WHAT DO POTENTIAL RENTERS NEED TO BRING TO THE APPOINTMENT?

- ❖ Prior 2 years' federal income tax returns
- ❖ Most recent 3 months' pay stubs
- ❖ Proof of any form of income, such as a Profit and Loss Statement, SSI award letter, etc.
- ❖ Picture ID

HOW MUCH DOES THE APPOINTMENT COST?

Each income certification appointment costs \$75.00. The City of Folsom will pay the fee for the first potential renter per property who attends an eligibility determination session. Any subsequent appointments will be paid for by the homeowner or renter, to be determined by those two parties.

HOW LONG DOES THE APPOINTMENT LAST?

We have to review a great deal of information, so please allow for the appointments to take 2 hours.

HOW DO I KNOW IF I AM INCOME ELIGIBLE?

During your housing counseling appointment, the NeighborWorks® HomeOwnership Planner will calculate your income to determine program eligibility. The income eligibility chart on the NeighborWorks® Sacramento website will help guide you in determining if you meet income certification guidelines. Note: Income is counted from every source for member of the household over 18.

HOW LONG DOES THE INCOME CERTIFICATION LAST ONCE I AM RENTING AN AFFORDABLE UNIT?

The certification is valid for 1 year of occupancy in an Affordable Deed Restricted Unit. Renters are required to recertify on an annual basis by following the same steps as an initial certification. Recertification appointments cost \$75.00 to be paid by the homeowner or renter, determined by those two parties.

APPENDIX A – PROGRAM CONTACTS

Appendix A – Program Contacts

CITY OF FOLSOM

Stephanie Henry - Associate Planner/Housing Coordinator

Tel (916) 351-3349

shenry@folsom.ca.us

50 Natoma Street,

Folsom CA 95630

NEIGHBORWORKS® SACRAMENTO

Kara Thomson - HomeOwnership Development Manager

Tel (916) 412-5356 ext. 1225

folsomhousing@nwsac.org

2400 Alhambra Blvd.,

Sacramento, CA 95817

Appendix B – Letter of Income Certification Example

Date

Customer Address

Dear Customer,

Pursuant to the Service Agreement with the City of Folsom, NeighborWorks® HomeOwnership Center Sacramento Region does hereby certify that you have completed the Income Certification for an Affordable Deed Restricted Unit for the City of Folsom. The certification is based on the review of the following documentation that you provided during the interview:

- ❖ The most recent 2 months’ employment pay statement indicating “year to date” earnings.
- ❖ The previous 2 years’ federal income tax returns.
- ❖ The most recent 2 months’ savings, checking, and investment statements
- ❖ Assets and other sources of income provided

/ _____

Based on our income certification calculations, of household size and income, your household income falls within the following income category.

HUD AMI Guidelines:

- Very Low (Less than 50% AMI)
- Low (Over 50% AMI but not over 80% AMI)
- Moderate (above 80% AMI but not over 100% AMI)
- Above Moderate (Over 100% AMI)

Sincerely,

HomeOwnership Planner