

AFFORDABLE HOUSING GUIDELINES

City of Brea

Implementation Program for City Affordable Housing Ordinance,
Chapter 20.40 of the Brea City Code

I. INTRODUCTION

These guidelines are designed to augment and give further detail to processing an affordable housing project once it has received approval per the requirements of Chapter 20.40 of the Brea City Code originally adopted by the Brea City Council on March 2, 1993, and as most recently amended on August 15, 2023.

II. PROGRAM APPLICABILITY

The requirements of the Affordable Housing Program are specified in Section 20.40.020 of the Brea City Code.

III. INCENTIVES

The City may grant incentives, as specified in Section 20.40.060 of the Brea City Code.

IV. STANDARDS

The standards for the affordable units are specified in Section 20.40.080 of the Brea City Code.

V. TARGET INCOME LEVELS FOR UNITS

In order for the City to meet its affordable housing needs, the target levels for affordable housing units are specified in Section 20.40.040 of the Brea City Code.

VI. CONDOMINIUM CONVERSION

Apartment complexes already participating in the affordable housing program shall not be converted into condominium unit(s) until the end of the 55-year affordability period. At the time of conversion, the requirements of Section 20.40.040 of the Brea City Code must be followed.

August 15, 2023
RESO. 2023-051

Apartment complexes of ten or more units converting to condominiums that are not already participating in the affordable housing program will be required to provide affordable condominium units per the requirements of Section 20.40.040 of the Brea City Code.

VII. ALLOWABLE HOUSEHOLD SIZE

Occupancy of affordable housing units shall be two persons per bedroom plus one additional person.

VIII. ELIGIBILITY PREFERENCE

Eligibility for affordable units will be based on a point system. An applicant's place on the waiting list will depend upon accumulated points which are awarded in various categories, such as Brea residency, Brea employment, existing housing conditions, etc.

The developer and the City will follow fair housing policy and shall not discriminate against eligible households on the basis of age, race, sex, marital status, ethnic background, source of income, or religion.

IX. AFFORDABILITY/ELIGIBILITY REQUIREMENTS

The affordability/eligibility requirements are two-pronged: there is a household income cap (as defined in Section 20.40.030 of the Brea City Code) and a monthly payment cap for the dwelling unit (as defined below).

1. For renters, affordable housing cost (including rent and utilities) is defined as a maximum of 30% of gross income, adjusted for household size appropriate for the unit, as defined and periodically updated by California Health and Safety Code Section 50053.
2. For owners, affordable housing cost (including principal, interest, property taxes, hazard insurance, homeowner's association fees, and utilities) cannot be less than 28% of the gross household income nor more than 35% of the gross household income as defined and periodically updated by California Health and Safety Code Section 50052.5.

Brea's affordable housing expense for both renters and owners will remain consistent with any applicable state and federal law requirements.

Applicants for the purchase program must meet the following criteria:

1. Provide a minimum down payment of 3%.
2. At the time of application and purchase, an applicant may not have liquid assets (funds that are available and accessible with no penalty) in excess of 20% of the

median home price in Brea, this includes the following:

- a. Gifted funds.
 - b. Equity in his/her current home if applicant is already a homeowner. Applicants may not own other residential properties at the time escrow closes on their affordable unit.
3. Only persons who will occupy the affordable unit are permitted to participate in the Program; therefore, co-owners who will not occupy the property are prohibited.
 4. Commit to annual certifications verifying owner-occupied status.

Applicants may only participate in the affordable housing purchase program once. If the Program participant sells the affordable unit, he/she may not purchase another affordable unit under City programs in the future.

X. IMPLEMENTATION

The Affordable Housing Program is implemented through an Affordable Housing Agreement as specified in Section 20.40.090 of the Brea City Code.

XI. ALTERNATIVES AND PROGRAM ADJUSTMENTS

Alternatives for developing affordable units (such as in-lieu fees, offsite construction, land dedication, and market rate conversions) are specified in Section 20.40.050 of the Brea City Code. Nothing set forth herein shall preclude the City from considering reasonable equivalent alternatives to these guidelines. These guidelines are by their nature developed to provide City staff and developers a framework to facilitate the goals of Chapter 20.40 of the Brea City Code. If any features or requirements of the guidelines require adjustments based on outside lender program criteria, Fannie Mae requirements, or changes in law, then City staff shall consider such requirements in the drafting of the Affordable Housing Agreement between the City and Developer.

XII. AFFORDABLE HOUSING TRUST FUND

The Affordable Housing Trust Fund is a separate City fund set aside for the specific purpose of assisting the City in the development of housing that is affordable to extremely low, very low, low, and moderate-income households. The fund is generated by the accrual of in-lieu fees and interest thereon. All monies contributed to the Fund, as well as any repayments and interest earnings accrued, shall be used solely for affordable housing subject to the guidelines set forth below. The Fund may be used to pay administrative, general overhead or similar expenses incurred in operation. Affordable Housing Trust Funds may be used for, but are not limited to, the following:

1. Provision of below-market-rate financing for homebuyers.

August 15, 2023
RESO. 2023-051

2. Purchase of land or air rights for resale to developers at a reduced cost to facilitate housing for extremely low, very low, low, and moderate-income households.
3. Reduction of interest rates for construction loans or permanent financing, or assistance with other costs associated with development or purchase of extremely low, very low, low, or moderate-income housing.
4. Rehabilitation of structures for extremely low, very low, low, or moderate-income housing.
5. On-site and off-site improvement costs for production of affordable housing.
6. Reduction of purchase price to provide units that are extremely low, very low, low, or moderate cost.
7. Rent subsidies to reduce the cost of rent for households with limited incomes.

XIII. RESALE/REFINANCE REQUIREMENTS

When an affordable unit is sold or transferred, then the income and sales price requirements originally placed on the unit must be met or the homeowner must pay the City an equity share. Refinancing will be permitted only when the outstanding indebtedness is not increased (except by the amount of reasonable closing costs). In all other cases, refinancing shall be allowed only when the homeowner pays the City its equity share.

The City will not subordinate to a first deed of trust that has a variable interest rate or any negative amortization associated with it. The City will not subordinate below second position.

END OF GUIDELINES AS REVISED ON AUGUST 15, 2023.