



# CITY OF SAN LUIS OBISPO

## 2019 AFFORDABLE HOUSING STANDARDS (Effective July 1, 2019)

### **Purpose**

These standards apply to all development projects within the City. They set maximum rental costs or sales prices based on income level and dwelling size and are used by developers, citizens, housing groups, City staff and commissions, and housing agencies. The Community Development Director implements the standards. Besides defining the often misunderstood term "affordable housing", the standards promote the construction of housing which meets residents' needs and help explain the City's housing requirements. In addition, the City uses these standards to determine if housing projects are "affordable" and qualify for density bonuses, financial assistance or other types of incentives. For more information about these standards, call the City's Community Development Department at (805) 781-7170.

The City requires new development projects to provide affordable housing for extremely-low, very-low, low, or moderate income households by:

- 1) Building affordable housing in conjunction with new residential or commercial development; or
- 2) Paying an "in-lieu fee" to support the development of affordable housing; or
- 3) Contributing real property, including land or existing dwellings, to be used as affordable housing; or
- 4) By a combination of these methods.

To help offset costs of providing affordable housing, the City has adopted Affordable Housing Incentives (San Luis Obispo Municipal Code Chapter 17.138). State and local law allows residential density bonuses and certain other incentives in return for developers agreeing to construct affordable housing. Additional information on incentives is available from the Community Development Department.

### **How the Standards Are Determined**

These standards are prepared by the Community Development Department and are updated annually to show income limits for the City and County of San Luis Obispo as published by the State Department of Housing and Community Development (HCD). These limits are shown in Table 1. By law, the upper income limit for "extremely-low income" households is 30 percent of the area median income; the upper income limit for "very-low income" households is 50 percent of the area median income; the upper limit for "lower income" households is 80 percent of the area median income; and the upper limit for "moderate-income" households is 120 percent of the area median income.

### **Households with More Than Eight Persons**

For all income groups, the income limits for households larger than eight persons are determined as follows: For each person in excess of eight, add eight percent of the four-person

income limit to the eight-person income limit and round the sum to the nearest \$50. For example, the nine-person *very-low income* limit is  $0.08 \times \$48,550 = \$3,884$ ; then  $\$3,884 + \$59,350 = \$63,234$  rounded to  $\$63,250$ .

**TABLE 1: 2019 ANNUAL INCOME LIMITS (\$)**

INCOME GROUP	NUMBER OF PERSONS IN HOUSEHOLD							
	1	2	3	4	5	6	7	8
EXTREMELY LOW	18,900	21,600	24,300	26,950	30,170	34,590	39,010	43,430
VERY LOW	31,500	36,000	40,500	44,950	48,550	52,150	55,750	59,350
LOW	50,350	57,550	64,750	71,900	77,700	83,450	89,200	94,950
<i>MEDIAN*</i>	<i>61,250</i>	<i>70,000</i>	<i>78,750</i>	<i>87,500</i>	<i>94,500</i>	<i>101,500</i>	<i>108,500</i>	<i>115,500</i>
MODERATE	73,500	84,000	94,500	105,000	113,400	121,800	130,200	138,600

*Updated June 2019, from CA State Department of Housing and Community Development (HCD) Official Income Limits.*

*\*Median Income shown for reference only. This is not an official Affordable Housing Income Level.*

### How to Determine Affordable Rents or Sales Prices

To determine affordable rents or sales prices, follow these three steps: 1) find the “income group” in Table 1, based on the number of persons in the household and their gross annual household income; 2) determine the number of bedrooms in the dwelling to be bought, rented or sold; and 3) Use Table 2 to find the maximum affordable rent or sales price based on the income group and number of bedrooms. When the number of persons in the household is not known, the City's affordability standards for both rent and sales prices can assume the following household sizes corresponding to the number of bedrooms in the dwelling:

- Studio unit: use the income limit for a one-person household.
- One-bedroom unit: use the income limit for a two-person household.
- Two-bedroom unit: use the income limit for a three-person household.
- Three-bedroom unit: use the average income limit for a four-five person household
- Four-bedroom unit: use the income limit for a six-person household

### Affordable Rent Limits

The maximum monthly rents to qualify as affordable housing are listed in Table 2. For example, the maximum monthly rent cost for a two-bedroom dwelling which is affordable to a lower-income household can be found in Table 2 by reading across the row labeled “Low, Maximum Monthly Rent” and then finding \$1,181 under the column heading “2-Bedroom.” Rent limits are based on formulas set by State law (H&S Code 50053) and are computed as shown on Page 3 of these Standards.

**TABLE 2: 2019 RENT/SALES AFFORDABILITY STANDARDS**

INCOME GROUP	TENURE	DWELLING				
	Maximum	STUDIO	1-BDRM	2-BDRM	3-BDRM	4-BDRM
EXTREMELY LOW	Monthly Rent	\$459	\$525	\$591	\$683	\$761
	Sales Price	\$56,700	\$64,800	\$72,900	\$85,675	\$103,775
VERY LOW	Monthly Rent	\$766	\$875	\$984	\$1,138	\$1,269
	Sales Price	\$94,500	\$108,000	\$121,500	\$140,250	\$156,450
LOW	Monthly Rent	\$919	\$1,050	\$1,181	\$1,365	\$1,523
	Sales Price	\$151,050	\$172,650	\$194,250	\$224,400	\$250,350
MODERATE	Monthly Rent	\$1,276	\$1,458	\$1,641	\$1,896	\$2,115
	Sales Price	\$257,250	\$294,000	\$330,750	\$382,200	\$426,300

**Calculation of Affordable Rents**

- **For extremely-low income households:** Affordable monthly rents shall not exceed 30% of 30% of the annual area median income for the number of persons expected to reside in the unit, divided by 12, and adjusted for household/unit size.
- **For very-low income households:** Affordable monthly rents shall not exceed 30% of 50% of the annual area median income for the number of persons expected to reside in the unit, divided by 12, and adjusted for household/unit size.
- **For lower-income households:** Affordable monthly rents shall not exceed 30% of 60% of annual area median income divided by 12, and adjusted for household/unit size.
- **For moderate-income households:** Affordable monthly rents shall not exceed 25% of 100% of the annual area median income divided by 12, and adjusted for household/unit size.

**Affordable Sales Prices**

The maximum sales prices for affordable housing are based on a formula that accounts for what a typical extremely-low income, very-low income, low-income or moderate-income household can afford to pay for housing, following established guidelines. Sales price limits are determined by multiplying the annual income limit of the income group, adjusted for household size (by 3 for extremely-low, very-low and low income households, and by 3.5 for moderate income households), rounded to the nearest \$25. For example, the calculation of maximum sales price for a 2-bedroom dwelling is computed as shown on Page 4 of these Standards.

### **Calculation of Affordable Sales Prices**

- $3 \times \$64,750 = \$194,250$  for a two-bedroom low-income unit; and
- $3.5 \times \$94,500 = \$330,750$  for a two-bedroom moderate-income unit.

### **Affordability Programs**

Rental housing affordability is maintained through recorded agreements (Affordable Housing Agreement) between a property owner and the City. These agreements shall specify: a) the income category for each dedicated affordable unit; b) the term for which rental units must remain affordable; and c) terms under which affordability is maintained after sale or transfer of the property. The City's current terms as specified in the Housing Element are the maximum allowed by State law; 45 years for ownership units and 55 years for rentals. For purposes of determining affordability requirements, Single Room Occupancy (SRO) units shall be treated as one-bedroom dwellings.

There are two different approaches to maintaining long-term affordability which require signing an Affordable Housing Agreement: 1) the property owner agrees to maintain the designated dwelling unit as affordable for at least 45/55 years; or 2) the property owner agrees to participate in a "shared equity purchase program" as described in the City's Inclusionary Housing Requirement. The decision on which approach to use is up to the developer, except where state or federal standards applying to a given project require specific affordability periods.

### ***Long Term Affordability Program***

Under the **long-term affordability program**, the housing must remain affordable for at least 45/55 years from the original date of sale or rental. Affordability terms are secured by an affordable housing agreement, promissory note and deed of trust, recorded on the property prior to or concurrent with the initial occupancy (for rental units) or sale of the property. The promissory note is based on the monetary difference between the property's initial capped purchase price and its fair market value outside of the program. The note is an "affordability loan" or "silent second" payable to the City. Repayment of the affordability loan is waived as long as affordability requirements are met. **For-sale properties must be owner-occupied**, and may be sold or otherwise transferred only to eligible buyers and at prices deemed affordable under these standards. Upon resale, the City, its Housing Authority, or a non-profit agency approved by the City, retains the first right of refusal to purchase affordable properties at their then current appraised value.

### ***Equity Share Program***

Under the **equity-share program**, the buyer of an affordable dwelling enters into an agreement with the city guaranteeing affordability for at least 7 years after the initial date of sale. Upon resale of the property, the agreement ensures that the City's equity share returns to the City for use in other affordable housing developments. The City's equity share is based on the difference between the property's market value and the actual price paid by the homeowner, divided by the market value; or the amount of subsidy provided by the city, divided by the property's market value. Affordable units sold before the end of the seventh year are subject to an additional "Equity Recapture Fee" ranging from 25 to 100 percent of the property's equity. For more information, refer to the Inclusionary Housing Requirements, Ch. 17.138 of the San Luis Obispo Municipal Code.