

# PLANNING & REDEVELOPMENT DEPARTMENT STAFF REPORT PLANNING COMMISSION MEETING January 12, 2006

Prepared by Jan Shonkwiler, Housing Division

ITEM IV-B: AFFORDABLE PURCHASE HOUSING DEVELOPMENT AGREEMENT – 1470 BLUE OAKS BLVD. (FIDDYMENT 44 SUBDIVISION) - FILE#: DA-000021

## **REQUEST**

The applicant requests approval of an Affordable Purchase Housing Development Agreement (APHDA) for the Fiddyment 44 Subdivision. The agreement requires 9 of the 148 single-family homes to be affordable to low and median income households (households earning between 51% - 100% of the median income or \$44,870 and \$64,100 gross annual income).

Applicant/Developer – Meritage Homes of California, Inc.

## **SUMMARY RECOMMENDATION**

The Housing Division recommends that the Planning Commission take the following actions:

- A. Adopt the five (5) findings of fact for the APHDA:
  - 1. The agreement is consistent with the objectives, policies, general land uses and programs specified in the General Plan and any applicable Specific Plan;
  - 2. The agreement is consistent with the provisions of the Zoning Ordinance;
  - 3. The agreement will enhance the public health, safety, and general welfare;
  - 4. The agreement will not adversely affect the orderly development of property or the preservation of property values; and,
  - 5. The agreement will provide sufficient benefit to the City to justify the Affordable Purchase Housing Development Agreement.
- B. Recommend that the City Council approve the Affordable Purchase Housing Development Agreement for Fiddyment 44 Subdivision.

## **SUMMARY OF OUTSTANDING ISSUES**

There are no outstanding issues.

#### **BACKGROUND**

The Fiddyment 44 Subdivision has an approved tentative subdivision map that was approved when the parcel was rezoned from industrial to residential in January 2005. As identified in the Housing Element of the General Plan, all parcels which are rezoned and change their use from non-residential to residential use are subject to the 10% affordability requirement. Therefore, under our current affordability matrix, ten percent of the development (15 units) would need to be affordable with the following breakdown: 4% affordable to Very Low Income (6 units), 4% affordable to Low Income (6 units) and 2% affordable to Middle Income (3 units).

In circumstances whereby the product being developed on rezoned parcels may preclude the exclusive funding for the affordable units by the developer, such as a purchase product versus a rental product, the Very Low Income housing units *may* be credited with an in-lieu housing fee, which in the case of this development would be \$50,000/unit, for a total of \$300,000 to be received (in lieu of providing 6 Very Low

Income units on site). Therefore, the Fiddyment 44 Subdivision will be obligated to provide 9 affordable purchase housing units (out of 148 total housing units). The in-lieu fees were negotiated and identified in the approved Development Agreement for this parcel.

As a result of the affordable housing obligation, a condition was placed on the tentative map requiring an Affordable Purchase Housing Development Agreement (APHDA) be accepted by the Planning Commission and City Council prior to approval of the final map. An APHDA has been prepared for Fiddyment 44 Subdivision and is attached to this memo for Planning Commission review and acceptance.

### PROVISIONS OF THE APHDA:

- 1. A total of 9 units within Fiddyment 44 Subdivision will be constructed as affordable purchase units for Low (6 units) and Middle-income (3 units) households. Low Income Households are 51% 80% of median income and Middle Income Households have incomes at 81 100% of median income, for the Sacramento Primary Metropolitan Statistical Area, as defined by HUD.
- 2. The determination of estimates on affordable pricing, City held second mortgage and bedroom unit mix is identified below. The pricing will depend on the financing made available through the developer's lender. The affordable pricing depends on interest rates, homeowner's dues, calculations of tax assessments and special financing offered by developer's lender. In addition, the market pricing is truly an estimate, as appraisals for these units have not been undertaken at this early stage of the development.

	Bedroom Size	Affordable Pricing (Estimate)	Market Pricing (Estimate, based on \$286/sq.ft)	2nd Mortgage held by City	Number of Units
Low Income 70 - 80%of median (\$44,870 – 51,300 annual)	3	\$112,000 -143,000	\$343,200	\$200,200 - 231,200	6
Middle Income 100% of median (\$64,100 annual)	3	\$236,000	\$343,200	\$107,200	3
		Total Affordable Units			9

NOTE: The above <u>affordable pricing estimate calculations</u> are based on the following assumptions: 35% of gross monthly income for all housing costs – principal, interest, taxes (additional Mello Roos \$2,235/year), insurance, homeowners association dues (\$150/month); 6.5% interest rate for 1<sup>st</sup> mortgage; and purchaser putting 5% of affordable price as down payment. In addition, the <u>market pricing</u> are only rough estimates based on 1,200 square foot home (actual square footage of half-plex units being analyzed at this time due to design issues) and based on market sales for similar size of units of \$286/square foot. The actual <u>market values</u> will be established when the project is closer to marketing/sales and verified by appraisal.

3. The affordable housing units will be single-family, attached units (half-plexes on corner lots).

- 4. As there is a difference of greater than \$5,000 between the unit's market value and affordable purchase price, the value will be protected through a promissory note and deed of trust (sleeping second mortgage), held and payable to the City of Roseville, to prevent a windfall profit for the homebuyer. The APHDA indicates that at the time of marketing the affordable units, the second mortgage terms will be either: an annual interest rate of 2% for 15 years, which will be forgiven on the 16<sup>th</sup> year, if the homeowner remains in occupancy OR a 0% interest rate, with a Shared Appreciation component (meaning that the City would share a portion of the net profit the purchaser would make in subsequent sales, based on the original 2<sup>nd</sup> mortgage value divided by the original market value of the home). The note will be due and payable upon sale of property, change of use, unapproved refinance or change of ownership.
- 5. In an effort to maintain affordability over time, for a 15-year period, the City will permit a new, qualified, low-income household to be re-issued the second mortgage deed upon purchase of the unit from the original or subsequent buyer.

#### **ENVIRONMENTAL DETERMINATION**

This project is categorically exempt from the environmental review requirements of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

# **RECOMMENDATION**

The Housing Division recommends that the Planning Commission take the following actions:

- A. Adopt the five (5) findings of fact for the APHDA:
  - 1. The agreement is consistent with the objectives, policies, general land uses and programs specified in the General Plan and any applicable Specific Plan;
  - 2. The agreement is consistent with the provisions of the Zoning Ordinance;
  - 3. The agreement will enhance the public health, safety, and general welfare;
  - 4. The agreement will not adversely affect the orderly development of property or the preservation of property values; and,
  - 5. The agreement will provide sufficient benefit to the City to justify the Affordable Purchase Housing Development Agreement.
- B. Recommend that the City Council approve the Affordable Purchase Housing Development Agreement for Fiddyment 44 Subdivision

### **Attachment**

1. Approved Tentative Map for Fiddyment 44

#### **Exhibit**

A. Affordable Purchase Housing Development Agreement, Fiddyment 44 Subdivision

Note to Applicant and/or Developer: Please contact the Planning Department staff at (916) 774-5276 prior to the Commission meeting if you have any questions on any of the recommended conditions for your project. If you challenge the decision of the Commission in court, you may be limited to raising only those issues which you or someone else raised at the public hearing held for this project, or in written correspondence delivered to the Planning Director at, or prior to, the public hearing.