

## **Appendix E**

Reprint of a handbook prepared by the City of Roseville for buyers of inclusionary units in the Reserves @ Galleria development.

***Reserves @ Galleria***

***Condominium Development***

***Roseville California***

**Affordable Purchase Housing  
Handbook**

**Low Income**

**June 6, 2003**



## INTRODUCTION

California state law requires the City of Roseville to prepare a “Housing Element” as part of the City’s General Plan. This Housing Element plan describes procedures needed to ensure housing for all economic segments of the community. Recognizing the need for affordable housing, the City has set a ten (10%) affordable housing goal for all new construction in Specific Plan areas or areas that have rezoned the density of residential property. Galleria Condo, L.P. is participating in this worthwhile goal and has entered into an Affordable Purchase Housing Development Agreement with the City of Roseville.

As a result of the 10% affordable housing goal, Galleria Condo, L.P. as the developer has agreed with the City to offer a specified number of condominiums within the Reserves @ Galleria as “affordable” to low income households. Because the sale of the condominium you are purchasing is designated to meet the affordable housing requirements set forth in the development agreement, there are certain stipulations associated with the purchase. The purpose of this handbook is to explain these conditions and show how the terms of the Affordable Purchase Housing Development Agreement (APHDA) affect you as purchaser(s). It will also identify the responsibilities of Galleria Condo, L.P. and the City in their joint effort to ensure the affordable housing goal is met and maintained during the term of the agreement. This handbook is only a guide. Borrowers will be required to comply with and should review the loan documents, including the promissory note (copy attached, see Attachment #1).

## QUALIFICATIONS

There are limitations on the income of the purchaser of an affordable home. The purchaser’s total income cannot exceed the 80% median income for either a family of one (1) and two (2), or for a family of three plus (3+) in Sacramento’s Primary Metropolitan Statistical Area (PMSA) as determined by the United States Department of Housing and Urban Development (HUD) and as published in its most recent circular of the Federal Register. The rate is generally adjusted annually. At the date of this booklet, the following income limits were effective:

Low Income Designation Set Aside:

- |   |          |
|---|----------|
| ▪ One (1) and two (2) person households | \$47,850 |
| ▪ Three (3) + person households         | \$55,500 |

The purchaser does not have to be a first time homebuyer. However, the goal of the affordable housing program is to make home purchase possible for those who do not have sufficient income to otherwise buy a home in Roseville’s housing market. Therefore, the City reserves the right to consider applications on a case-by-case basis in instances where:

- The down payment exceeds twenty percent (20%) of the purchase price.
- The purchaser is receiving a gift from an outside source.
- Assets exceed \$100,000
- The purchase requires a co-mortgagor in order to qualify the purchaser (co-mortgagor must be an immediate family member).

The purchaser must provide documentation to Galleria Condo, L.P. via their lender of the following:

- All sources of income
- Verification of assets,
- Gift letter or statement from co-mortgagors if applicable, and,
- Certification of Affordable Purchase Eligibility (provided by Galleria Condo, L.P.).

This documentation must be submitted at the time of the mortgage application. The City’s Economic & Community Services Department is responsible for review of the purchaser’s eligibility and will either approve or disapprove the purchaser for the affordable purchase program. This process takes approximately ten (10) days, but may take longer depending on the requirements of the application.

**INITIAL PURCHASE**

Galleria Condo, L.P. must sell the condominiums at a price affordable to a household earning the maximum income limit as specified in the “Qualifications” section of the handbook, and as adjusted from time to time by the City in compliance with HUD. Based on 80% of median gross annual income households of 2, 3, & 4 persons, the maximum “affordable purchase price” is estimated at \$139,700 for a 1-bedroom unit, \$159,000 for a 2-bedroom unit, and \$173,725 for a 3-bedroom unit, respectively. This assumes a down payment of not more than 5% of the affordable price of the home. The selling price may vary with incentives, current interest rates and special assessments associated with the Specific Plan area.

Each affordable home will be appraised by an independent appraiser (approved by the City) to determine its market value prior to sale. To allow Galleria Condo, L.P. to sell these homes at market price, the City of Roseville will carry a second mortgage on the property equal to the difference between the market value and the calculated affordable price as assistance to the purchaser. The note terms of the second are *2% simple interest (accruing for the 1<sup>st</sup> 15 years), no payments required during the 30-year term, as long as the home remains the primary residence of the affordable purchaser.*

**1 BEDROOM EXAMPLE:** (Example uses above referenced maximum amount and does not include any upgrades or closing costs)

Appraised base market value	\$166,000
Affordable price	\$139,700
Assistance Second Mortgage	\$26,300
2% simple interest – calculated annually (\$26,300 X 2%)	\$526
Maximum interest that would accrue for 15 year period (\$526 X 15)	\$7,890
Total <u>maximum</u> cost of principal & interest paid at the highest year #15	\$34,190

**2 BEDROOM EXAMPLE:** (Example uses above referenced maximum amount and does not include any upgrades or closing costs)

Appraised base market value	\$181,500
Affordable price	\$159,000
Assistance Second Mortgage	\$22,500
2% simple interest – calculated annually (\$22,500 X 2%)	\$450
Maximum interest that would accrue for 15 year period (\$450 X 15)	\$6,750
Total <u>maximum</u> cost of principal & interest paid at the highest year #15	\$29,250

**3 BEDROOM EXAMPLE:** (Example uses above referenced maximum amount and does not include any upgrades or closing costs)

Appraised base market value	\$194,000
Affordable price	\$173,725
Assistance Second Mortgage	\$20,275
2% simple interest – calculated annually (\$20,275 X 2%)	\$405
Maximum interest that would accrue for 15 year period (\$405 X 15)	\$6,082
Total <u>maximum</u> cost of principal & interest paid at the highest year #15	\$26,357

The second mortgage becomes due and payable either when the initial purchaser sells the property, the end of the 30 year term or if the affordable purchaser should:

- Rent the home;
- Change the use from single-family residential;
- Add someone to the title other than an immediate family member; or
- Refinance the home and that refinance is not approved by the City's Economic & Community Services Department OR the refinance exceeds the affordable purchaser's equity at time of refinance.

## **SUBSEQUENT SALES**

There are continuing obligations for the purchaser of an affordable home. For a period of fifteen (15) years, the affordable purchaser must notify the City's Economic & Community Services Department, if the home is to be sold a minimum of sixty (60) days prior to offering the affordable home for sale. The notice must be in writing and must include the proposed selling price, verified by an independent appraiser approved by the City at the homeowner's expense. During the 60-day period, the City will attempt to find another qualified affordable purchaser for the home. If the City is unable to find an affordable purchaser for the affordable home within the 60 days, the homeowner may proceed with selling the unit to the general public.

At the time of sale, the Assistance Second mortgage will be repaid to the City of Roseville. In addition, the interest will be calculated based on the length of years the home was owned. If the net proceeds are not sufficient to pay City's Note plus enable the homeowner to recover the amount of the homeowner's down payment, principal payments, and any capital improvement investment, City will forgive up to 6% of the total Note plus accrued interest for each year of ownership. The forgiveness of this debt shall in no way exceed the total amount of the homeowner's down payment, principal payments, and capital improvement investments. In order to have these costs deducted, the Economic and Community Services Manager must approve proof of payment for the capital improvements. Examples of improvements would be landscaping, patios, wallpaper, (first time only), storm doors, drapes, etc. (See Attachment #2 for reference)

## **LOAN PAY OFF**

**Term:** The Promissory Note shall be for a term of Thirty (30) years at which time all unpaid principal and interest remaining will be due and payable. Said maturity shall be on the same day of the year as the Date of the Note.

**Interest:** The Promissory Note shall bear interest on the unpaid principal balance from the Date signed (as stated above), and be computed as simple interest upon the unpaid balance of the principal amounts and at the annual rate of 2% for the first 15 years. Beginning at the first day of the sixteenth (16<sup>th</sup>) year all accrued interest shall be forgiven and the Note shall be retired upon the payment of the principal balance only.

## **MONITORING**

*The City of Roseville’s Economic & Community Services Department will review the affordable home purchase on an ongoing basis to ensure the home has remained affordable and that no condition (stated in the “Initial Purchase” section) which would require payment of the assistance second note has occurred. This review will include, at a minimum, the City annually contacting the affordable homeowner to verify their continued primary residency.*

The City may change program policies, which may have an effect on the way the affordable housing program is operated. This may include the application fees charged. While it is not likely that any future changes (except, of course, changes in the ongoing monitoring of the program) will affect a completed transaction, in no event is there a guaranty that such limitations or changes will not occur. Some purchasers may find it necessary to fulfill additional requirements to complete the purchase of a home.

**For further information regarding this program, contact:**

**City of Roseville  
Economic & Community Services  
311 Vernon Street  
Roseville, CA 95678  
(916) 774-5270**

**Galleria Condo, L.P.  
Affordable Purchase Housing Program  
3935 Harney Street, #100  
San Diego, CA 92110  
(619) 325-6810**

**On Sites Sales: (916) 780-9605**

Attachments

**PROMISSORY NOTE  
SECURED BY DEED OF TRUST**

**Borrower:****Property Address:** , Roseville, CA 95747**Lender:** City of Roseville**Principal Amount:** \$**Date:** \_\_\_\_\_

The "Borrower(s)," (INSERT NAME)\_\_\_\_\_ for value received, promises to pay to City of Roseville (Holder"), at 311 Vernon Street, Roseville, CA 95678\_\_\_\_\_, or any other place designated in a writing submitted by Holder to Borrower, the principal sum of \_\_\_\_\_ dollars (\_\_\_\_\_) plus interest on the unpaid principal balance according to the terms contained in this note.

**Use of Funds:** The loan is being made in order to assist me/us in purchasing the property at the address above.

**Term:** This Note shall be for a term of Thirty (30) years at which time all unpaid principal and interest remaining will be due and payable. Said maturity shall be on the same day of the year as the Date of this Note.

**Interest:** This Note shall bear interest on the unpaid principal balance from the Date (as stated above), and be computed as simple interest upon the unpaid balance of the principle amounts and at the annual rate of 2% for the first fifteen (15) years. Beginning at the first day of the sixteenth (16<sup>th</sup>) year all accrued interest shall be forgiven and the Note shall be retired upon the payment of the principal balance only.

**Payments:** No installment payments of principal or interest are required during the first thirty years after the making of this note at which time the note shall become all due and payable in lawful money of the United States.

**Acceleration:** The principal and accrued interest stated in this note shall become all due and payable upon any total or partial sale, transfer, conveyance, assignment or lease of the whole or any part of the real property described in the Deed of Trust.

**Obligations of Persons Under This Note:** If more than one person signs this Note, each person is fully and personally obligated to keep all the promises made in this Note, including the promise to pay the full amount owed. The Note holder may enforce its rights under this note against each person individually or against all of use together. This means that any one of us may be required to pay the entire amount owed under this Note.

**Giving of Notice:** Unless applicable law requires a different method, any notice that must be given to me/us under this Note will be given by mailing it by first class mail to me/us at the property address above or at a different address if I/we give the Note Holder a notice of a different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in the first paragraph or at a different address if I/we am/are given a notice of that different address

**Recapture of Investment:** Should the property be sold prior to the retirement of the note then the note shall become all due and payable from the net proceeds of the sale. If the net proceeds are not sufficient to pay CITY's Note plus enable the homeowner to recover the amount of the homeowner's downpayment, principal payments, and any capital improvement investment, CITY will forgive up to 6% of the total Note plus accrued interest for each year of ownership. The forgiveness of this debt shall in no way exceed the total amount of the homeowner's downpayment, principal payments, and capital improvement investments.

**Subordination:** This note shall be subordinate to the original senior loan, any refinancing or early pay-off or release of the note secured by the senior deed of trust shall cause this note to move into senior position.

**Attorney's fees:** Borrower(s) agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by the Note Holder. If the Holder brings any action or proceeding in connection with the enforcement or collection of this Note, the Prevailing Party (as hereafter defined) in any such proceeding, action or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, the party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim of defense. The attorney's fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

In addition to the foregoing award of attorneys' fees, the Note Holder shall be entitled to its attorney fees incurred in any post judgment proceedings to enforce any judgment in connection with this Note. This provision is separate and several and shall survive the merger of this provision into any judgment.

**Owner Occupied Residence:** We understand that as long as we owe money under the Note, we must live in the property as our principal residence. If we live elsewhere, the Note Holder will have the right to require payment of all principal and accrued interest (see "Acceleration" above).

BORROWER(S)

\_\_\_\_\_  
\_\_\_\_\_

**CAPITAL IMPROVEMENTS**

**DEFINITION:** Capital Improvements are costs expended by a Qualified Purchaser relating to permanent improvements that add to the value or increase the useful life of property.

**IMPROVEMENTS VS. REPAIRS:** Capital Improvements are different than repairs or maintenance in that Capital Improvements are "permanent" in nature. For example, the cost of painting a room for the first time is an improvement, but the cost of repainting the room is a repair. Sealing a roof leak is usually a repair, but it may be an improvement if it means replacing a large part of the roof. Repainting, replastering, fixing leaks, and fixing homeowner damaged items are repairs and are not considered Capital Improvements.

In order for Capital Improvements to qualify for deduction, the following conditions must be met:

1. Appliances and other movable items shall remain with the home when it is sold.
2. Appliances and other movable items shall be listed in the resale contract to prove that they were left behind.
3. Proof of payment for Capital Improvements shall be submitted to the Economic & Community Services (ECS) Director, 311 Vernon Street, Roseville.
4. All Capital Improvements submitted for deduction shall be reviewed and approved by the ECS Director or his/her designee.
5. The Capital Improvement Cost Breakdown sheet shall be completed and signed.

The following is a checklist of Capital Improvements that can be deducted:

**\*Appliances, Major Household:** Clothes dryer, freezer, air conditioner, stove, washing machine, dishwasher, refrigerator (provided they are sold with the house and not removed).

**\*Bathrooms:** Bathtub sliding doors, faucets, medicine cabinets, mirrors, shower controls, toilets, towel racks.

**\*Building Improvements:** New siding, deck, fireplace, mantel, garage, gutters, drain-pipes, porch, screen and storm doors, new roof or extensive improvements, termite inspection, waterproofing, room additions.

**\*Communications:** Fire or burglar alarms, intercoms, permanent telephone outlets.

**\*Electricity and Lighting:** Floodlights, lighting fixtures, and wiring.

**\*Flooring:** Wall-to-wall carpeting, tile, linoleum, wood floors.

**\*Furniture and Fixtures:** Built-in bookcases, built-in cabinets, closet shelves, curtains and drapes (which are not removed when the house is sold).

**\*Grounds and Outdoor Additions:** Barbecue pit, birdbath, fences and gates, greenhouse, landscaping, mailbox, swimming pool, terrace and patios, trees and shrubs, underground sprinkler system.

**\*Kitchen:** Built-in dishwasher, garbage disposal, range hood, countertops.

**\*Laundry:** Laundry tub, laundry chute, ventilator.

**\*Mechanical Equipment:** Attic fan, central air conditioner, furnace, water heater, radiators.

**\*Paving:** Blacktop or gravel driveway, cement walks, steps.

**\*Plumbing and Sanitation:** Copper tubing, sump pump, water pipes, water supply system, septic system.

**\*Walls and Ceilings:** Insulation, wallpapering (first time only), wood paneling.

**\*Windows and Doors:** Screens, storm windows and doors, weather stripping.

CAPITAL IMPROVEMENT COST BREAKDOWN

Address of Residence to be sold: \_\_\_\_\_

Seller(s) (Print): \_\_\_\_\_

Date Purchased: \_\_\_/\_\_\_/\_\_\_ Approx. Sale Date: \_\_\_/\_\_\_/\_\_\_

I have lived in this Residence for \_\_\_\_\_ years.

CAPITAL IMPROVEMENTS COSTS	AMOUNT
Appliances	\$
Bathrooms	
Building Improvements	
Communications	
Electricity and Lighting	
Flooring	
Furniture and Fixtures	
Grounds and Outdoor Additions	
Kitchen	
Mechanical Equipment	
Paving	
Plumbing and Sanitation	
Walls and Ceilings	
Windows and Doors	
<b>TOTAL</b>	<b>\$</b>

I/We certify that all information provided herein is true and correct. I/We made no misrepresentations nor did I/We omit any pertinent information.

\_\_\_\_\_  
 (Seller) (Co-Seller)