

CITY OF DALY CITY



BELOW MARKET RATE OWNERSHIP UNIT

IMPLEMENTING GUIDELINES

February 2018

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A. PROVISION OF BMRS - Developer Requirements

Developers of ownership housing who provide BMR units in compliance with the City's Affordable Housing Ordinance (Chapter 17.47 of Title 17 of the Daly City Municipal Code) and who seek zoning entitlements from the City will be required to submit an *Affordable Housing Plan*. The Plan will specify the number of BMR units, income targeting and amount of Affordable Housing Impact Fees (if any) to be paid to the City. The Developer may build the BMR units as required in the Ordinance or propose an alternative such as the payment of housing impact fees. Any proposed alternatives to building the required units must be approved by the City Manager. An approved Affordable Housing Plan, approved by the City Manager, is a condition of development entitlements.

All Developers of ownership housing will be required to enter into an *Affordable Housing Agreement* which provides in more detail the implementation of a project's approved Affordable Housing Plan. These details include the specific location of BMR units, pricing and sales procedures. The Affordable Housing Agreement also stipulates that the Developer will cover the cost of a BMR administrator selected by the City to facilitate the sale of BMR units in the project. A signed and recorded Affordable Housing Agreement, and the payment of any fees identified in the Agreement, is a condition of building permit issuance. In addition, the City may adopt a fee, also payable by the developer, to cover the City's costs for oversight and enforcement of the BMR administration contract.

B. QUALIFIED BUYER

Low to Moderate Income Restrictions

The terms and pricing for BMRs will be specifically structured to assist moderate income households, unless specified otherwise in the Affordable Housing Agreement. The maximum income allowed to qualify for most Daly City BMRs is 120% of San Mateo County's median income as established by the State of California Housing and Community Development (HCD). State HCD derives median income from the US Department of Housing and Urban Development (HUD).

Household Requirement

Members of a household must be living together as a household for at least six months from the time of pre-application deadline in order to be considered a household.

Unit and Household Size

As a standard guideline, the bedroom size a household will be able to purchase is predicated on the size of the household. The matrix below should act as a guide to demonstrate the relationship between household sizes and maximum bedroom allowances. The minimum household size for a BMR unit is equal to the number of bedrooms in the BMR unit.

Unit bedroom Count	1	2	3	4
Minimum Household size	1	2	3	4

Household members on the application must include dependents claimed on the buyer's tax return and/or co-buyers that will be on title. Dependents and co-buyers must reside in the home.

Household members must be living together as a household for a period of six months prior to application for the BMR units and will be required to provide evidence such as tax returns, driver's license, or other documentation requested by the City.

Loan Preapproval Requirements

The City will only approve buyers who secure loans from an institutional lender or a public agency that have a thirty (30) year, fixed rate, amortizing term with a reasonable interest rate, based on current market conditions. The loan can not include any of the following terms: negative amortization, balloon payments, adjustable interest rate and interest only or other provision which the City determines will create future hardships for the owner to meet their current or future monthly housing costs obligations.

Asset Limits

The BMR purchaser may have no more than 50% of the purchase price in total liquid assets, excluding pensions, recognized retirement accounts and federally approved pre-tax savings accounts.

First Time Homebuyer Status

The BMR purchaser must be a first time homebuyer. A first time homebuyer is defined as an individual who has not owned or jointly owned a home or a principle place of residence in the last three years, up to the date of the current BMR unit purchase. Exceptions to the definition include:

- An individual who owned a home with a former spouse during their marriage, or is legally separated;
- An individual who has owned a principal residence that was not permanently affixed to a permanent foundation, according to applicable regulations.

Homebuyer Education

In order to complete the purchase of a City BMR, the buyer must receive homebuyer education from a HUD certified homebuyer education provider. Some local agencies include: Operation Hope, Consumer Credit Counseling Agency, and Unity Council. Homebuyer education must be completed as a condition of closing escrow.

Live Work Requirements/ Preference

Eligible buyers do not have to live and/or work in the City. However, given a situation where demand exceeds supply of BMR units, home buyers who live and/or work in the City at time of application may be provided a priority to purchase the unit. Documentation of meeting the live/work preference will be verified using primary source documents requested by the City.

Residency

Buyers must have legal residency status in the United States of America at the time of application.

C. PROCESS/ADMINISTRATION/INITIAL SALE

Outreach/Marketing

A marketing plan is prepared by the City and/or BMR administrator that identifies dates for workshops, orientations, and pre-application deadlines. The marketing plan describes how the availability of units will be marketed and includes pricing and flyers to be used for outreach. Posting of the flyers shall include, and not be limited to, posting on the City's social media pages and the City website, at the Community Service Center, and City libraries.

Pre Application Form

Pre-applications must be submitted as directed by the BMR administrator prior to a published deadline. Pre-Application will establish household size, income and current residence.

Lottery

In the event that the number of pre-applications received exceeds the number of available BMR units, a drawing will be held to establish the order in which applicants will be considered for purchase of a BMR unit.

Full Application

The administrator will invite applicants in lottery ranking order to submit full applications and supporting documents, including a loan pre-approval letter, in order to confirm their eligibility for the program. The number of applicants invited to submit full applications will depend on the number of BMR units available.

Conditional Program approval/eligibility from the City and/or City's BMR administrator

The BMR Administrator will send files with recommendation to conditionally approve or disqualify applicants based on a review of completed applications and supporting documents. The City will review the recommendation and make the final determination regarding program eligibility. The administrator will notify applicants of their conditional eligibility for the program. Applicants must maintain their income eligibility until they execute a purchase contract and enter into escrow. Income verification is good for up to six months. If applicant has not executed a purchase contract and entered into escrow within six months of the conditional eligibility determination, income eligibility must be determined and verified again.

Appeal

The City may issue a program disqualification letter to Applicants at any time prior to the close of escrow of a BMR home purchase. Applicants may appeal a program disqualification letter by providing a written explanation of the reasons for their appeal, and any supporting evidence the applicant wishes to provide. The appeal letter must be received by the City or its designee by mail or electronic mail within five business days of issuance of the disqualification letter. City staff is not authorized to assist applicants in drafting appeal letters, nor in determining appropriate grounds for appeal or appropriate forms of supporting evidence, beyond advising them of the contents of these Guidelines, application forms, and other published Program materials. Applicants may refer to these Guidelines and application forms, and/or seek their own advisors/counsel for guidance in determining what types of documentation would be reasonable. The City shall review the appeal letter and the ECD Director shall issue the final determination within thirty calendar days or less of receipt; this determination is final.. A BMR home will be held or reserved for Applicant while an appeal is being considered if it is the last unit type that the applicant is applying for in the particular unit offering. If a program disqualification letter is issued while Applicant is in escrow to purchase a BMR home and Applicant appeals the determination, City shall not issue any escrow instructions until a final determination has been made regarding the appeal, other than to inform the escrow officer that he/she may not close until further written notice from the City. Upon the City's determination of the appeal, Program staff shall proceed to either approve closing (if appeal was granted) or inform escrow that Applicant has been denied approval to purchase and buyer may not close on that home. City shall not be responsible for any actions of seller, lender, or other parties regarding the escrow during the appeal period which may jeopardize buyer's ability to purchase the BMR home.

Selection/Assignment of Unit

Applicants will be given the opportunity to purchase the next available unit of the bedroom count for which the applicant qualifies. If an applicant qualifies for a larger or smaller bedroom count than what is currently available, they may request to defer entering into a contract until a unit of the desired bedroom count is available. They will

be given highest priority for a unit of the desired bedroom count when it becomes available. Other than for bedroom count reasons, applicants may not defer entering into a sales contract when a unit is offered. For example, preference for location, floor plan or unit orientation are not allowable reasons for deferment of sales contract execution when an applicant's lottery number or wait list position results in an invitation to proceed with purchase of a BMR unit. Should an applicant defer for any reason other than bedroom count, the application will be pulled and the applicant removed from consideration for any of the homes in that BMR offering.

Execute purchase contract to buy the home

Applicants who are deemed eligible for the program based on a review of their full application and supporting documents, will be invited to execute a purchase contract to buy a home.

Escrow/Obtain 1st loan approval

Once the applicant signs contract for a home, escrow will be opened. The BMR Administrator will work with the first lender to obtain copies of the loan application, loan transmittal summary and estimated closing statement. The lender documents will be reviewed to confirm the loan product and terms meet program guidelines and that there are no income discrepancies from the applicant's application. Discrepancies between the application and lender documents may result in disqualification from the program.

Sign documents

Prior to closing, the BMR administrator will set-up an in-person meeting with the household to present "layman" disclosures, which will highlight important aspect of the BMR Deed Restrictions and copies of the BMR Deed Restrictions that all adults will be signing at title, so that they can be reviewed well in advance of signing. Any questions about the program will be addressed in these meeting. The BMR administrator will draft the BMR documents, route for City signature and then coordinate escrow closing.

D. RESALE

The sale of a BMR may occur through both voluntary and involuntary actions.

Involuntary Sale – would most likely result from the owner going into default under the BMR Deed Restrictions. Under this scenario the City will provide the owner a specified date to cure the default. If the default is not cured, the City can exercise its option to purchase the property and hold the homebuyer responsible for any expenses incurred for the sale and to cure any deficiency created through either the financial situation or physical condition of the property. The City will notify a home owner with a Notice To

Exercise if it intends to exercise its option to purchase the property under the resale agreement.

Voluntary Sale – results when the home owner decides to sell their home. Under this scenario the owner will provide the City a Notice of Intent To Transfer. Upon reviewing and *approving* the owners Notice of Intent to Transfer, the City, within thirty (30) days will issue and deliver to the owner/seller a Notice of Consent To Transfer. At this juncture, the City will have made a determination if it wants to execute its purchase option or allow the owner to sell the property to an eligible buyer and will provide the maximum allowable BMR sales price.

The owner seller of a BMR may execute the sales process in one of two ways:

- 1) Have the City’s administrator, assist with the sale
- 2) The City decides to execute its option to purchase home – not a requirement by the City and will most likely be executed if the owner is in default with their home.

The first two options will most likely require the seller/owner to pay a real estate sales commission which may vary from 3% to 6% of the sales price. Under both scenarios, the City and/or its BMR administrator will be interacting with the buyer to make certain that all the procedures, disclosures, and Program affiliated documents have been diligently presented, understood, and executed.

Specific steps taken to sell a home are provided in detail in the Buyer’s resale restriction agreement that is required to be reviewed and signed prior to purchasing the home. The agreement should be reviewed again, prior to initiating the sales process.

E. ESTABLISHMENT OF INITIAL SALE AND RESALE PRICING

Initial Purchase

By applying a standardized formula, City staff determines a maximum price at which the developer can sell the BMR units. The primary factors that establish the purchase price of a BMR home include:

- *Income levels and household size*- Generally, BMR units targeted to households at 120% AMI will be priced at a level affordable to households with incomes that do not exceed 110% of the area median income (AMI). The AMI is established annually for each County by the US Department of Housing and Urban Development (HUD). It then establishes home purchase prices based on a maximum percentage (30%) of income that may be applied towards homeownership costs. The table below shows 2016 moderate

income limits and will be updated annually as income limits are published by the State HCD.

Household Size	1	2	3	4	5	6
120% AMI Income Limit	\$90,500	\$103,400	\$116,350	\$129,250	\$139,600	\$149,950

- The bedroom size* – the greater the bedroom count the larger the household size the unit can accommodate. A larger sized household is assigned a higher level of income for qualifying purposes; therefore, increasing the overall price of the unit. The following household sizes will be presumed for the purpose of calculating maximum BMR home prices:

Bedroom Count	0	1	2	3	4
Presumed Household Size for Pricing Purposes	1	2	3	4	5

- Homeownership costs* will also affect the overall cost of the unit. Prices are established to make certain long term affordability is maintained. Costs applied towards establishing the BMR purchase price include: the mortgage (The mortgage interest rate used in the calculation shall be the higher of 1) the ten-year rolling average of interest rates, as calculated by the Agency (or its successor) based on data provided by Fannie Mae, Freddie Mac, or an equivalent, nationally recognized mortgage lending institution, or 2) the current, commercially reasonable rate available through an Agency-approved lender), home owners association (in the case of a condo), property taxes, insurance, and an allowance for maintenance and utility costs.

Resale Pricing

When purchasing a BMR in Daly City, the buyer enters into a contract to maintain permanent affordability on the unit for fifty five (55) years. The City maintains affordability through the term of the BMR agreement by establishing a maximum resale price. The maximum resale price shall be the greater of:

1. The total sum of the initial purchase price plus the depreciated value of any capital improvements approved in writing by the City prior to their installation; or
2. The total sum of an affordable purchase price that is affordable to a household earning no more than 110% of current Area Median Income (for households targeted at 120%AMI) plus the depreciated value of any capital improvements approved in writing by the City prior to their installation. The affordable

purchase price shall be calculated as in the Initial Purchase price using current median incomes adjusted for Household size, and current homeownership costs.

The amount that an owner/seller derives in proceeds from the sale of their home could be adjusted by the following factors:

- *Damages* – proceeds from sales would be applied towards any expenses that need to be incurred by the City to place the Property into saleable condition as reasonably determined by the City – including costs for deferred maintenance.
- *Advances by the City* – for paying delinquent mortgages, taxes, assessments, insurance premiums and any other costs associated in maintaining the physical condition and financial integrity of the property.

F. FINANCING REQUIREMENTS

Gifted Funds

Applicant(s) may be gifted funds in an amount not to exceed 17% of the purchase price plus closing costs as evidenced by a “gift letter” which must be submitted with the BMR full Application.

In order for a gift to be considered as part of the eligible contribution applied towards a BMR unit purchase, the following protocol must be adhered to:

- 1) The grantor of the gift must produce bank statements showing where the gift dollars were drawn from and show that the gift funds were available in the gift provider’s bank account for over sixty (60) days. If from an international bank, statements must be on bank stationary and interpreted into English.

Down Payment

Applicant(s) must provide funds of their own in an amount equal to at least three percent (3%) of the purchase price for use as a down payment (not closing costs). The funds must be available in the Applicant’s financial institution account at the time of application.

Income Limits

Applicant(s) must meet the income eligibility limits set by the program in order to qualify for the program. Annual Income Limits adjusted by household size are based on the State of California's Department of Housing and Community Development State Income Limits for San Mateo County. The applicable Annual Income Limits used shall be those applicable at the time the BMR price is set.

Refinancing

Specific details associated to the steps and procedures required to refinance a BMR home are provided in the resale restriction agreement that the buyer will be executing and receiving at the close of the home purchase escrow. Refer to the section titled *Refinancing Guidelines* in section H for more information specifically related to the guidelines and restrictions associated with the refinance process. The purpose of the information below is to provide a general overview of the refinance process.

General steps taken to refinance a property will include:

- Submittal of the Owner Request to Refinance Notice to the City
- Submittal of a package either by the owner or the owner's lender of the following documents with the Request:
 - Copy of the Combined Settlement Statement for the close of escrow at the time the property was purchased
 - Copies of the new 1st mortgage documents including a copy of the completed loan application, loan transmittal summary (provided by the lender), and a lender loan approval that provides all the terms of the new 1st and/or junior loan.
 - Copies of the owners existing 1st loan documents, including the last mortgage statement
 - A copy of the new preliminary title report which should have been ordered by the 1st lender
 - Notification of the projected closing date of the refinance
 - Copy of any estimates that may be associated in drawing funds from the refinance proceeds to pay for eligible improvements, maintenance or upgrades (as defined in the Capital Improvement section).

The City and/or its Administrator will require at least fifteen (15) days to review and approve or disapprove a refinance request. If disapproved, the City will notify the owner that the new loan is not permitted under the terms of the resale restriction agreement.

G. TITLE REQUIREMENTS

Named Titleholders

All adult household members must appear as an owner or co-owner on the BMR Unit title with the following exceptions:

- Legal dependents of titleholders as claimed on the most recent federal income tax return or legal minor children of titleholders. Spouses or Domestic partners are not considered dependents;

- Household members younger than age 24 who are the child of a titleholder who will reside in the BMR Unit as their primary residence, regardless of being named as a dependent on the federal tax form of a titleholder; and
- Recent immigrants with insufficient credit history as defined as a person who has been in the United States for 2 years or less as supported by entrance documentation or a sworn statement and lender documentation of the reason for loan denial, including a copy of the applicant's credit report.

H. RESTRICTIONS ON BMRS

Primary Residency

Purchasers of BMR units in Daly City must occupy the home as their primary residence for a minimum of 10 months per year. Compliance with the primary residency requirement is subject to annual verification through which the owner will be required to certify and provide source documentation that the home is their primary residence. Source documentation might include government issued identification, bank records, tax returns or other documents reasonably requested by the City or the City's BMR administrator. Failure to provide adequate certification and documentation of primary residency will be considered a default under the resale restriction agreement.

Restrictions in Transfer and Permanent Affordability

Permanent affordability means that the units cannot be sold above the City restricted price for fifty-five years of ownership (please refer to resale section above). The affordability term restarts with each transfer to a new buyer. The affordability restriction ends only when the buyer actually maintains and resided in the home for over fifty five years. For example, if a buyer purchases a home on January 1, 2010 and resells the house to a new buyer on January 1, 2015, the new buyer's deed restriction will be in place for 55 years. Restrictions are lifted from the home after *fifty five years of ownership by the same owner*. Price restrictions details are provided in the resale agreement issued prior to the time that the borrower finalizes and closes the BMR purchase process. The resale agreement also sets the following restrictions on the unit:

- The property can only be resold to a household whose income does not exceed 120% AMI (unless specified otherwise in the resale agreement).
- In the case of an estate distribution at the time of death, the property can only be bequeathed to a beneficiary who will be occupying the property and whose income does not exceed the 120 percent of AMI limit. If the estate has no benefactors that fit within this parameter, the property must be sold within 12 months from the date of distribution/delivery to the beneficiary to an eligible buyer at the assigned BMR (deed restricted) value and proceeds

generated through the sale can be distributed to the estate (beneficiary), according to the instruction provided through a will.

Any proceeds generated in excess of the restricted sales price have to be distributed to the City. Accordingly, in the unlikely event that the property should be sold over the deed restricted price, the seller will distribute any excess proceeds to the City – as established by the resale agreement and performance deed of trust.

Not an investment / rental property

The property may not be rented out for over 60 days per calendar year. Up to 60 days per calendar year is allowed to handle emergencies such as having to leave the region for a job or family related matter. The intent of the BMR is to provide an ownership opportunity. Rental activity in excess of 60 days will trigger a default on the buyer agreement and foreclosure proceedings that will require the home to be sold at the City established deed restricted price. During the term of the deed restriction, the City conducts monitoring to verify that the buyer/owner is the occupant of the home. Any rentals must be approved by the City in writing prior to the home being rented.

The property must also be occupied by the purchaser as a permanent residence within 60 days from the day the transaction closes escrow.

Restrictions on Refinancing

An owner must inform the City of any intent to refinance or take out an equity loan on their home. The City will only allow an owner to refinance or take an equity loan on their property under the following conditions:

- *Rate and term refinance:* If the owner is not drawing any dollars out from equity that has been built up (through appreciation and reduction of the loan balances), the owner can execute a rate and term refinance. The rate and term refinance is strictly implemented to either get a better interest rate or to shorten the term the loan (fifteen year mortgage versus a thirty year mortgage).
- *Financing necessary repairs and improvements:* the City may allow the owner to take cash out if necessary repairs and improvements are required to meet and maintain health and safety and building code requirements. (Please also see *Capital Improvement* section below)
- *Cash out refinance:* Cash out refinance occurs when an owner draws cash in the form of a new or additional loan in excess of the balance on the existing first loan. The owner can only cash out refinance when equity has been established through an increase in price and or through repayment of principal on a loan. To determine the level of increase in equity from appreciation, the owner would need to contact the City to obtain a

calculation on the current deed restricted value of the property. The owner cannot use the market price of non-BMR open market rate homes selling in the complex or community to determine how much cash they can pull. For example, if the open market price of an identical unit in the complex was \$400,000 and the BMR rate price was \$250,000, the borrower/owner may only pull out cash based on the BMR price of \$250,000. This rule has been specifically put in place in order to prevent owners from obtaining loans in excess of the price restricted value of the property. Cash out, if eligible, may only be drawn from either a new loan or an equity line. The cash out refinance cannot exceed 90% of the deed restricted value or actual market value of the home – whichever is less. Even though the BMR buyer is most likely purchasing a BMR for less than the market price, market situations could arise where the open market value of the property could be as low or lower as the deed restricted value. Open market value is associated with the maximum price the property would sell at in the open market without any deed restrictions.

Example of allowable cash out scenario:

Original purchase price of BMR	\$218,000
Current assigned restricted value of BMR	\$250,000
Current open market value of home	\$325,000
1st loan amount	\$180,000
City of Daly City 2nd loan	\$30,000
Total loans on property	\$210,000
Maximum dollar value of loans for refinance or line of equity allowed based on 90% of <i>current deed restricted value or market price, whichever is less</i>	\$225,000
Cash out allowance through refinance	\$15,000

Maintenance Standards

The BMR owner shall not destroy or damage the BMR Unit, allow the BMR Unit to deteriorate, or commit waste on the BMR Unit. Owners shall maintain the BMR Unit in compliance with all applicable laws, ordinances and regulations and in a good and clean condition and all appliances shall be in good and working order.

Capital Improvements

Certain costs associated in ownership of a BMR unit may be deemed as eligible capital improvements. Replacement of items and systems due to deferred maintenance or personal preference is not considered to be an eligible capital improvement. For example re-painting the house, replacing the furnace, or adding marble counters would not be considered as an eligible capital improvement cost. The cost of eligible capital improvements may be added to the value of BMR property resale subject to the following guidelines:

- In order to be deemed and eligible capital improvement, the improvement must be a major structural system upgrade that increases the health, safety, and energy efficiency of the property. The home owner must submit a request to the City for the installation or a major capital improvement and receive approval from the City.
- Floor coverings and paint are not considered eligible capital improvements
- No capital improvement costs will be considered on for BMRs that are less than 10 years old. It is assumed that new units do not require capital investment.
- All capital improvements and their costs must be approved, in writing, prior to their purchase and installation.
- Any labor costs associated with capital improvements will be considered only if carried out subject to a written contract. Homeowner labor costs are not eligible.
- Eligible capital improvements must cost at least \$2,000 and not exceed 10% of the initial purchase price of the unit

I. DOCUMENTATION AND ENFORCEMENT OF SALES RESTRICTIONS

Detailed provisions regarding specific restrictions and responsibility are provided within a collection of BMR related documents that the BMR buyer receives and/or signs at the time they are purchasing their BMR home. These documents will include and not be limited to a:

- *Affordability Restrictions on Resale and Option to Purchase* – this document provides extensive details on the buyers responsibilities and restrictions related to BMR ownership
- *Notice of Affordability Restriction On Transfer of Property* – providing public notice that an affordability covenant is recorded on the property
- *Promissory Note & Deed of Trust* – to secure and assure that the City will receive any excess sales and/or rental proceeds derived through the sale or rental of the BMR.

J. MONITORING

Primary Residency – Annual Compliance

Purchasers of BMR units in Daly City must occupy the home as their primary residence for a minimum of 10 months per year. Compliance with the primary residency

requirement is subject to annual verification through which the owner will be required to certify and provide source documentation that the home is their primary residence. Source documentation might include government issued identification, bank records, tax returns or other documents reasonably requested by the City or the City's BMR administrator. Failure to provide adequate certification and documentation of primary residency will be considered a default under the resale restriction agreement.

APPENDIX – CALCULATION OF INCOME

Sources of Income

Income derived from all household members 18 years of age and older living in the unit must be applied towards establishing the annual household gross income. Sources of income applied to the earnings qualification calculation will also include and not be limited to the following:

- A. Gross amount of wages and salaries before any payroll deductions, including over-time pay, compensation for services, commissions, fees, tips and bonuses;
- B. The net income of operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
- C. Interest, dividends and royalties;
- D. Partnership distributions;
- E. Income from an interest in an estate or trust;
- F. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pension, permanent disability, or death benefits and other similar types of periodic receipts;
- G. Public Assistance including but not limited to TANF, SSI, disability income;
- H. Period and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
- I. All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the household or spouse;
- J. Asset income based on the cash value of assets as determined through the asset income test methodology.

The program administrator will be reviewing the borrowers past three years tax returns and W-2s, and the last four paycheck stubs to further verify sources and amounts of household income. These items will be reviewed at the time the purchaser is obtaining approval on their first loan. For qualification purposes, annual household income will be based on household income at the time of application projected out 12 months from the time of application. The primary source document considered for this purpose is recent paycheck stubs.

A BMR owner will maintain their ownership status if incomes continue to increase and exceed the maximum income allowance after the buyer has purchased the property. Changes in household size, due to an increase or decrease in family size after the purchase, also do not adversely affect maintaining ownership status of the BMR, unless it is an unpermitted transfer, as defined in the BMR resale restriction agreement.

Income of applicants who are receiving unemployment benefits, temporary disability benefits or are on maternity leave at time of application will be based on an average of gross income as documented on the last three years' federal tax returns.

If Applicant has net household assets in excess of \$5,000, annual income from assets will be calculated as a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD. Income from assets will be added to all other income sources when determining gross household income.

Applicants must provide sufficient documentation of income, as outlined in the Below Market Rate Home Application, to the City for use in determining the applicant's income level. Final determination of an applicant's income level and program eligibility shall be at the sole discretion of the City.