



# CITY OF SAN LUIS OBISPO

## BELOW MARKET RATE HOUSING PURCHASE GUIDELINES (Effective October 10, 2023)

### SECTION 1: FINANCIAL AND RESIDENCY GUIDELINES

To be eligible to purchase a Below Market Rate (BMR) unit, the applicant must meet the following guidelines. Applicants must provide sufficient information to an approved third-party administrator (i.e. Housekeys) by the City of San Luis Obispo to verify the guidelines have been met.

- The applicant's total annual household income is equal to or less than the maximum allowable household income, as specified in the City's BMR Housing Standards and referenced on the application. The City or an approved third-party administrator will certify incomes of all adult household members in calculating total household income. Income is described in Section 2.
- The applicant has secured a **loan pre-qualification letter** for a mortgage equal to the total purchase price, less down payment, through a federally or state regulated housing lender.
- The applicant has shown they have sufficient funds to pay the required down payment, monthly mortgage cost and other costs associated with purchasing the home **without a co-signer to guarantee income or credit**. No persons other than residents of the BMR home may be listed on the grant deed as owners.
- Gift Amount (if applicable) shall NOT exceed a maximum of 20% of the purchase price. Gift amount is not included in calculation of applicant's assets.
- The household's **total assets do not exceed one-half of the purchase price** of the BMR home. In the case that the asset is the current primary residence of the household and proceeds from sale of the property will be transferred as a down payment to purchase the BMR home, temporary asset transfers between properties do not count toward the household's total assets. Assets are described in Section 3.
- The applicant agrees to follow City **affordability restrictions**, including a resale restriction to eligible buyers only, and to grant the City of San Luis Obispo or a non-profit agency approved by the City, first right of refusal to purchase the property, pursuant to the City's BMR Housing Standards.

## Below Market Rate Housing Purchase Guidelines

- The BMR home must be owner occupied. The applicant must **agree to use the home as his/her/their primary residence**. The applicant and co-applicant must reside in the County of San Luis Obispo or be employed in the City of San Luis Obispo.
- Applicant must be a U.S. citizen or have the right to permanently reside in the United States.

## SECTION 2: INCOME INCLUSIONS AND EXCLUSIONS

### Income Inclusions

- The gross amount (before any payroll deductions) of wages, salaries, overtime pay, commissions, fees, tips, bonuses and other compensation for personal services; however, only that portion of overtime pay, commissions, and bonuses that are likely to continue for at least the coming year will be included.
- The net income from the operation of a business, profession or active farming. The City, or the City's approved third-party administrator, will not make allowances for depreciation of capital assets in determining the net business income. The City, or the City's approved third-party administrator, also reserves the right to review additional business expenses and to exclude any expenses that are unlikely to continue or are unnecessary.
- Interest, dividends and other net income of any kind from real or personal property (expenditures for amortization of capital indebtedness and an allowance for depreciation of capital assets shall not be deducted to determine the net income from real or personal property).
- The gross amount of periodic payments received from Social Security or other retirement accounts for all household members, regardless of age.
- The gross amount of periodic payments from annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment.
- Payments in lieu of earnings, such as unemployment, worker's compensation and severance pay.
- Periodic allowances such as alimony and separate maintenance, child support payments received, housing allowances received, and regular contributions or gifts received from persons not residing in the dwelling.
- That portion of scholarships provided for general living expenses, transportation and miscellaneous personal expenses.
- Lump-sum assets (gifts, inheritances, etc.) received in the previous two years prior to application unless the applicant is disabled or retired.

### Income Exclusions

- Casual, sporadic or irregular gifts totaling up to 20% of the purchase price of the home.

## Below Market Rate Housing Purchase Guidelines

- Amounts that are specifically for or in reimbursement of the cost of medical expenses. Amounts that are expended and designated for large and continuing medical expenses of a member of the household are excluded.
- Lump-sum settlements for personal or property losses.
- That portion of scholarships that are provided for tuition, fees, books, equipment, materials, and supplies.
- Earned income from the employment of children under the age of 18.
- Payments received for the care of foster children.
- The value of the allotment provided to an eligible household for coupons under the Food Stamp Act of 1977.
- The income of a live in aide, defined as a person who resides with an elderly, disabled, or handicapped person, and who is determined to be essential to the care and well-being of the person, is not obligated to support the person, and would not be living in the unit except to provide supportive service.

### **SECTION 3: ASSET INCLUSIONS AND EXCLUSIONS**

In general terms, an asset is a cash or non-cash item that can be converted to cash.

#### **Asset Inclusions**

- Savings accounts and the average 6-month balance of checking accounts.
- Stocks, bonds, savings certificates, money market funds, and other investment accounts.
- Cash value of trusts available to the household.
- Physical, monetary, and real property assets that, although owned by more than one person, allow unrestricted access by the applicant.
- Equity interest in a home or other real estate.
- Lump-sum receipts, such as inheritances, capital gains, lottery winnings, insurance settlements and other claims.
- 12-month history of child support payments (or proof of no support).
- Gift amounts exceeding 20% of the purchase price of the home.
- Cash value of life insurance policies.
- Equity in motor vehicle(s) with an individual value exceeding \$15,000.00.
- Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
- Tax-exempt retirement accounts cannot exceed one-half the purchase price.
- Imputed interest on the total of all assets such as savings accounts.

**Asset Exclusions**

- Assets not accessible to the household and that do not provide any income for the household.
- Ordinary household effects, including furniture, appliances, clothes, fixtures and personal property.
- Up to one (1) motor vehicle used for personal or business use, whose value does not exceed \$15,000.00. Copies of all owned automobile registrations and related loan documents must be available.
- Assets that are a part of an active business or farming operation.
- Equity interest in a home that is the current primary residence of the household and proceeds from sale of the property will be transferred as a down payment to purchase the affordable home.