

Buyer's Disclosure Statement
Woodbury Highlands Lafayette

The City of Lafayette (the "City") has made it possible for low and moderate income households like yours to buy a house in the Woodbury Highlands development at a price that is affordable. The price that you are paying for your house is below the market rate.

In exchange for giving you the opportunity to buy your house at a below-market affordable price, the City will require you to sign a Deed of Trust and a City of Lafayette Occupancy and Resale Restriction Agreement with Option to Purchase (the "Resale Agreement"). **The Deed of Trust and the Resale Agreement will be recorded against your property.** In general, the Deed of Trust and the Resale Agreement set forth conditions that you must meet, including but not limited to the following:

- The Resale Agreement requires you to live in your home as your main place of residence, and prohibits you from renting-out your home.

- The Resale Agreement places controls on the sale of your home. There is a limit to the price at which you can sell the home. You may have to pay the City any excess sales proceeds you may get from the sale of the home or from hazard insurance payments. In addition, you must follow certain steps and procedures when you decide to sell your home.

- The Resale Agreement restricts to whom you may sell or transfer your home.

The purpose of the Resale Agreement and Deed of Trust is to make sure that the City's goal of providing affordable homeownership opportunities to low and moderate income buyers at Paloma continues to be met. The City has helped you to buy a home at an affordable price; it wants to help others like you as well.

This Disclosure Statement explains some of the major provisions of the Resale Agreement so that you will understand its requirements. **You should, of course, read the entire Resale Agreement and the Deed of Trust and become completely familiar with them¹.**

¹ Numerical examples are included in this Disclosure Statement to help you better understand the concepts, terms, and provisions of the Resale Agreement. Please be aware that these are simply to show how things work and that they are not intended to represent your specific situation. If you follow along with a calculator, you may not get exactly the same answers. Any differences are probably due to how your calculator "rounds-off" numbers.

A. REQUIREMENTS IN EFFECT FOR 45-YEAR TERM

The requirements that are in the Resale Agreement and the Deed of Trust apply until the earlier of (i) forty-five (45) years from the date you purchased your home (the recording date of the Grant Deed for the property), or (ii) the date you sell or transfer your home in accordance with the Resale Agreement and the Deed of Trust. If you own and live in your home for the whole 45-year term, all of the requirements of the Resale Agreement and Deed of Trust go away.

B. PRIMARY RESIDENCE AND LEASING YOUR HOME

Your house in the Paloma development must be your main place of residence. This means you must live in your home for at least ten (10) months out of each calendar year. Each year during the 45-year term described in A. above, you must tell the City in writing that you are meeting this requirement. You are not allowed to lease or rent the house.

C. MAINTAINING YOUR HOME/ PROPERTY INSURANCE

By signing the Resale Agreement, you agree to keep your home and landscaping in good repair and in neat, clean, and orderly condition and to prevent deterioration of the home. You also agree to keep a standard insurance policy equal to the replacement value of your home.

D. SALES PRICE OF HOME IS RESTRICTED: MAXIMUM SALES PRICE

The City has helped make the cost of buying a home affordable to you. The City also wants to make sure that others like you get the same chance. Therefore, the Agreement limits the sales price of your home if you sell within the 45-year term of the Agreement. The maximum sales price that you can receive is the **lower** of the Indexed Price and the Unrestricted Fair Market Value as described in Section 10.

1. INDEXED PRICE: The “Indexed Price” is calculated as follows:

(a) Original Sales Price of Home (price at which you bought it)

(b) increased by the percentage increase of the Area Median Income for a household size of four persons from the date of your original purchase (the recording date of the Grant Deed for the property) to the date of receipt by the City of the Owner's Notice of Intent to Transfer

plus

(c) Value (not cost) of any capital improvements that are consistent with applicable building codes and Federal Housing Quality Standards. To avoid any questions later, all improvements should be approved in writing by the City before they are installed.

It is also important to understand that if the home has suffered from any damage or deferred maintenance that results in violations of applicable City codes, the City may require that reasonable repairs be made at your cost prior to sale or through the escrow for the sale of the home.

Example 1 shows how the Indexed formula works.

EXAMPLE 1 You sell your house at the end of eight years. The original sales price of your home was \$500,000. The median income for a family of four in Contra Costa County when the home was bought was \$104,400. Median income increases by 20% over the eight years. Five years after buying your home, you remodel your kitchen (with prior City written approval) and the remodeling work is valued by an appraiser as worth \$20,000 at the time you sell.

(a) Original Price of Home \$500,000

(b) Median Income Increase 20%

(c) multiply (a) by (b) \$100,000

(d) add (c) to (a) \$600,000

(e) add Appraised value of Eligible Capital Improvements +\$20,000

INDEXED PRICE \$620,000

2. FAIR MARKET VALUE

Under the Resale Agreement, the Fair Market Value can be determined in one of two ways. First, it can be established by a real estate appraiser approved in advance by the City. If possible, the appraisal will be based on sales prices of homes similar to yours that are sold in your market area during the preceding three month period. The value of any (i) capital improvements that you have made to your home that meet the requirements Example 1 above, or (ii) damage or deferred maintenance that occurred while you owned the house that decreased its value shall be included as separate values in the appraisal. In this case, the appraisal will state what the Fair Market Value of the home would be without either the improvements or the damage or deferred maintenance. The value of capital improvements or damage or deferred maintenance, if any, will have a direct impact on the Fair Market Value.

The cost of the appraisal used to determine Fair Market Value will be shared equally between you and the City. For example, if the appraisal costs \$500, you will be responsible for \$250 and the City will have to pay \$250. Please be aware, though, that if you need an appraisal in connection with refinancing your first mortgage loan or any other loan, or, for the purpose of obtaining any other loan, you must pay the total amount of appraisal costs. The City is not responsible for paying for any portion

of an appraisal used for the purpose of refinancing your first mortgage or any other loan or for obtaining any other loan.

The Resale Agreement also allows you and the City to set the Fair Market Value of your home by mutual agreement instead of relying on an appraiser. Both you and the City would have to agree to this particular method (instead of hiring an appraiser) and to the final Fair Market Value amount. If you and the City fail to agree on the Fair Market Value, either one can require use of the appraisal method. Example 2 shows how the Indexed Price and the Fair Market Value of the home are compared to determine the Maximum Restricted Resale Price at which you can offer your house for sale.

EXAMPLE 2

The assumptions are the same as Example 1. The Fair Market Value of your home is determined by appraisal. The appraisal determines the Fair Market Value at \$800,000. This amount includes the value of the kitchen improvements at \$20,000.

INDEXED PRICE is less than the FAIR MARKET VALUE then MAXIMUM RESTRICTED SALE PRICE

\$620,000 < \$800,000 \$620,000

Since the Fair Market Value of the home is greater than the Indexed Price of the house, the Maximum Restricted Resale Price which you can receive from the sale of your home is \$620,000.

E SELLING YOUR HOME

Under the terms of the Resale Restriction Agreement, when you go to sell your home within the 45-year term, there are three different ways that the sale can take place:

- You sell the home at a restricted sales price to someone who meets specific income requirements like you had to meet. This buyer is called an "Eligible Purchaser" in the Resale Agreement.
- The City chooses to use its option to purchase your house at the City Option Price as defined in Section 12B.
- You sell your home at an unrestricted (market) sales price to a "Market Purchaser." A Market Purchaser is a buyer with an income too high to qualify as an "Eligible Purchaser." You must pay the City any "Excess Sales Proceeds" that may result from this type of sale.

These three cases are described below.

1. SALE TO AN "ELIGIBLE PURCHASER" AT THE RESTRICTED SALES PRICE

When you decide to sell your home, you must let the City know in writing before you contact a real estate broker or lender and before you list the home in the Multiple

Listing Service. This notice is called the "Owner's Notice of Intent to Transfer." The Owner's Notice of Intent to Transfer must be sent in a particular way and must include specific information as detailed in Section 7 (Notice of Intended Transfer; Preparation of Home for Sale) and Section 33 (Notice) of the Resale Agreement. If you fail to send the City this notice, you will be in default under the Resale Agreement and the sale of your home may be delayed.

The City will then let you know in a notice called the "First City Response Notice" (i) the maximum income for an Eligible Purchaser (ii) the certifications of required of the Eligible Purchaser and (iii) the Maximum Allowable Sales Price. See Section 8 (City Response to Owner's Notice of Intended Transfer) and Section 9 (Owner Acknowledgment of City Response Notice) of the Resale Agreement.

You have a 240-day "Marketing Period" in which to find an Eligible Purchaser to buy the home at the Maximum Allowable Sales Price, which the City will provide in the First City Response Notice. An Eligible Purchaser is an individual or household who will live in the home and whose income is equal to or less than the percentage of Area Median Income that you were at when you purchased the home.

Once you find a potential Eligible Purchaser, you will refer the proposed buyer to the City so that the City can determine if in fact he or she meets the requirements of an Eligible Purchaser. You and the proposed buyer must give specific information and documents to the City as described in First City Response Notice.

2. CITY EXERCISES ITS OPTION TO PURCHASE YOUR HOME

The second way that the sale of your house can take place is that the City decides to use its option to purchase (or assigns this right) and the City or a City designee buys the home at the restricted sales price. The City will let you know that it wants to buy your home if you have not found an Eligible Purchaser by the end of the 240 day Marketing Period in the Second City Response Notice. The City will pay the City Option Purchase Price, which is equal to the Maximum Allowable Sales Price, calculated in the same manner as for a sale to an Eligible Purchaser, as described above. The purchase by the City shall take place within seventy-five (75) days of the date the Second City Response Notice is sent to you.

3. SALE TO A "MARKET PURCHASER"; PAYMENT OF "EXCESS SALES PROCEEDS" TO CITY

It may be the case that you are unable to locate an Eligible Purchaser within the 240-day Marketing Period and the City either does not exercise its option to purchase or fails to purchase your home within 75 days. In this case, you will be permitted to sell your home to a Market Purchaser at an Unrestricted Fair Market Value. Section 13 of the Resale Agreement describes this process and provides instructions regarding information to provide to the City.

If you sell your home to a Market Purchaser at an Unrestricted Fair Market Value, you will be required to make a payment to the City of Excess Sales Proceeds. Excess Sales Proceeds

means ninety percent (90%) of the amount by which the Unrestricted Fair Market Value exceeds the Maximum Allowable Sales Price.

You must also pay Excess Sales Proceeds to the City if you sell or transfer your home in a way that violates the terms of the Resale Agreement.

Another way to put it is the following:

$$\begin{aligned} & \text{Gross Amount of Money the New Buyer Paid for the House} \\ & \text{MINUS} \\ & \text{Maximum Allowable Sales Price (from First City Response Notice)} \\ & \text{THE REMAINDER MULTIPLIED BY Ninety Percent (90\%)} \\ & \text{Equals the Payment to the City of Excess Sales Proceeds} \end{aligned}$$

The reason that the City gets 90% rather than the full (or "100%") amount is that the City wants to make sure that you receive funds to pay commission to your real estate broker and other costs of sale. This formula is intended to ensure that you receive the same net amount of sales proceeds from an unrestricted sale that you would have received the City had purchased your home at the Maximum Allowable Sales Price.

The amount of Excess Sales Proceeds that you pay to the City is used by the City for other affordable housing programs it runs. The City gave you the chance to buy your home at a price that was below-market and affordable to you. When you pay the Excess Sales Proceeds, those funds are going to help other low and moderate income families who, like you, would not be able to obtain affordable housing without City assistance.

Example 3 shows how the Excess Sales Proceeds are calculated.

EXAMPLE 3 You sell your house at the end of eight years. You originally paid \$500,000 for your home. The Maximum Allowable Sales Price is \$620,000. You are unable to find an Eligible Purchaser and the Second City Response Notice permits you to sell your house to a Market Purchaser at an unrestricted price. The house is appraised at \$800,000. You find a Market Purchaser who agrees to buy your home at \$800,000. You must pay the City Excess Sales Proceeds as calculated below:

$$\begin{aligned} & \text{Total Amount Market Purchaser Paid For House} && \$800,000 \\ & \text{MINUS} \\ & \text{Maximum Restricted Resale Price (from First City Response Notice) - 620,000} \\ & =180,000 \\ & \text{MULTIPLIED BY Ninety Percent (90\%)} && \text{X 0.9} \\ & \text{Amount of Excess Sales} \\ & \text{Proceeds You Pay to City} && \$162,000 \end{aligned}$$

G. CAPITAL IMPROVEMENTS YOU MAKE TO THE HOME

If you make improvements to the home, and you want the value of the capital improvements to be taken into account when the Maximum Restricted Resale Price (or option price) is calculated, you must obtain written approval of the improvements by the City before the improvements are made, the City must verify that such improvements are consistent with all applicable building codes and Federal Housing Quality Standards, and you must obtain a building permit for the improvements.

H. REFINANCE OF YOUR FIRST MORTGAGE

The Resale Agreement allows you to refinance your first mortgage loan but places restrictions on the amount received by you from the refinancing. Following refinancing of your first mortgage, the principal amount of all debt secured by your house must not be greater than ninety-five percent (95%) of the Maximum Allowable Sales Price as established by the City. If you are considering a refinance of your first mortgage, you should contact the City for a calculation of the Maximum Allowable Sales Price amount before you contact your financial institution. Example 4 shows how this would work.

EXAMPLE 4 The assumptions are the same as in Example 1, except that you wish to refinance (instead of sell) your house at the end of eight years.

- (a) Original Price of Home \$500,000
- (b) Median Income Increase 20%
- (c) multiply (a) by (b) \$ 100,000
- (d) add (c) to (a) \$600,000
- (e) add Appraised Value of Eligible Capital Improvements +\$ 20,000
- INDEXED PRICE \$620,000
- (f) 95% of Indexed Price x 0.95
- (g) Amount available for maximum principal amount of refinanced first mortgage loan \$589,000

Please sign this Buyer's Disclosure Statement in the space provided below, and keep a signed copy for your records, and return the original to the City at the following address:

City of Lafayette
3675 Mt. Diablo Blvd., Suite 210
Lafayette, California 94549

Attention: City Manager

I have read and understand the above Buyer's Disclosure Statement.

By: _____ Dated: _____

Signature of Buyer

Print Name of Buyer

By: _____ Dated: _____

Signature of Buyer

Print Name of Buyer