

## 2010 Monterey County

### Redevelopment Affordable Housing Rents & Costs

#### Sacramento

400 Capitol Mall, 27<sup>th</sup> Floor  
Sacramento, CA 95814  
T: 916.321.4500

#### Bakersfield

5080 California Avenue, Suite 250  
Bakersfield, CA 93309  
T: 661.864.3800

#### San Luis Obispo

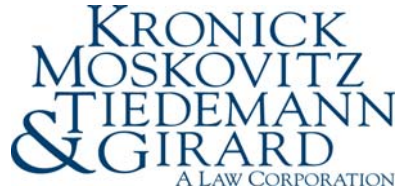
1432 Higuera Street  
San Luis Obispo, CA 93401  
T: 805.786.4302

#### Walnut Creek

1350 Treat Blvd., Suite 105  
Walnut Creek, CA 94597  
T: 925.395.2380

[www.kmtg.com](http://www.kmtg.com)

<b>Jon E. Goetz</b>	▪	San Luis Obispo	▪	<a href="mailto:jgoetz@kmtg.com">jgoetz@kmtg.com</a>
<b>Jeff Mitchell</b>	▪	Sacramento	▪	<a href="mailto:jmitchell@kmtg.com">jmitchell@kmtg.com</a>
<b>Kristin Hagan</b>	▪	Bakersfield	▪	<a href="mailto:khagan@kmtg.com">khagan@kmtg.com</a>



## 2010 Monterey County Redevelopment Affordable Housing Rents & Costs

This memo sets forth the 2010 income limits and affordable housing costs and rents for affordable housing projects in Monterey County which are assisted by redevelopment agencies.<sup>1</sup> These are the standards that are required when redevelopment agencies provide assistance from their Low and Moderate Income Housing Fund.<sup>2</sup> The same standards apply for affordable housing projects to qualify as replacement housing or inclusionary housing under the redevelopment law.<sup>3</sup>

Determining compliance with affordable housing requirements under the redevelopment law is a two-step process. The first step is to determine whether the proposed tenant or buyer meets the income standards for the housing unit. If the tenant or buyer meets the income standards, the second step is to determine if the monthly housing costs for the housing unit are equal to or less than the maximum levels which apply to the unit.

Part 1 of this memo lays out the maximum incomes for the different income levels: Extremely Low, Very Low, Lower, Median and Moderate Income.<sup>4</sup>

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<sup>1</sup> These numbers apply to projects which receive redevelopment assistance after January 1, 1991

<sup>2</sup> Health and Safety Code Section 33334.2(a) provides that "Not less than 20 percent of all taxes that are allocated to the agency pursuant to Section 33670 shall be used by the agency for the purposes of increasing, improving and preserving the community's supply of low- and moderate income housing available at affordable housing cost, as defined by Section 50052.5, to persons and families of low or moderate income, as defined in Section 50093, lower income households, as defined by Section 50079.5, very low income households, as defined in Section 50105, and extremely low income households, as defined in Section 50106..."

<sup>3</sup> Health and Safety Code Section 33413.

<sup>4</sup> The Lower Income category is often referred to as 80 percent of area median income, and the Very Low Income category is often referred to as 50 percent of area median income. Note that Lower Income is sometimes established at levels substantially above or below 80 percent of area median income, and Very Low Income is sometimes established at levels substantially above or below 50 percent of area median income.

Part 2 of this memo sets forth the maximum monthly housing costs for purchasers of affordable homes at the Extremely Low, Very Low, Lower, and Moderate Income levels. Note that the numbers are expressed as monthly housing costs rather than as maximum purchase prices. To determine the maximum purchase price for an affordable home it is necessary to examine all of the housing-related costs payable by the buyer, including mortgage payments, taxes, insurance, maintenance, utilities and certain other costs. The maximum purchase price is particularly sensitive to changes in mortgage interest rates. When interest rates go up, the loan amount that a purchaser can afford will go down, driving down the affordable purchase price of the home. Conversely, when interest rates go down, the loan amount that a purchaser can afford will go up, increasing the affordable purchase price of the home.

Part 3 of this memo sets forth the maximum monthly rents for tenants of affordable homes at the Extremely Low, Very Low, Lower, and Moderate Income levels. Note that the numbers listed are for the total monthly costs charged to tenants for housing, and must include a reasonable allowance for utilities and certain other costs. These rents are often substantially different from maximum rents allowed under other affordable housing programs, such as the Federal Low Income Housing Tax Credit program and HOME program.

# 1. Income Eligibility<sup>5</sup>

The first step in determining eligibility for an affordable housing program is determining whether the household which will be purchasing or renting the housing unit meets the following income standards applicable to Monterey County, based upon the size of the household:

<i>Income Level</i>	<i>1 person household</i>	<i>2 person household</i>	<i>3 person household</i>	<i>4 person household</i>	<i>5 person household</i>	<i>6 person household</i>	<i>7 person household</i>	<i>8 person household</i>
<i>Extremely Low</i>	\$13,900	\$15,900	\$17,900	\$19,850	\$21,450	\$23,050	\$24,650	\$26,250
<i>Very Low</i>	\$23,150	\$26,450	\$29,750	\$33,050	\$35,700	\$38,350	\$41,000	\$43,650
<i>Lower</i>	\$37,050	\$42,350	\$47,650	\$52,900	\$57,150	\$61,400	\$65,600	\$69,850
<i>Median</i>	\$46,250	\$52,900	\$59,500	\$66,100	\$71,400	\$76,700	\$81,950	\$87,250
<i>Moderate</i>	\$55,500	\$63,450	\$71,350	\$79,300	\$85,650	\$92,000	\$98,350	\$104,700

<sup>5</sup> Based on currently effective median income of Monterey County, as published by regulation of the California Department of Housing and Community and Development operative as of June 17, 2010. These median income numbers are revised annually.

## 2. Determining Affordable Housing Cost for Ownership Housing

For ownership housing, the second step in determining compliance with affordable housing requirements is ensuring that the total housing costs payable by the buyer are within allowable amounts.

For **Extremely Low Income** Buyers:<sup>6</sup>

- purchasing a **0 bedroom** home, monthly payments may not exceed **\$346.88**
- purchasing a **1 bedroom** home, monthly payments may not exceed **\$396.75**
- purchasing a **2 bedroom** home, monthly payments may not exceed **\$446.25**
- purchasing a **3 bedroom** home, monthly payments may not exceed **\$495.75**
- purchasing a **4 bedroom** home, monthly payments may not exceed **\$535.50**

For **Very Low Income** Buyers:<sup>7</sup>

- purchasing a **0 bedroom** home, monthly payments may not exceed **\$578.13**
- purchasing a **1 bedroom** home, monthly payments may not exceed **\$661.25**
- purchasing a **2 bedroom** home, monthly payments may not exceed **\$743.75**
- purchasing a **3 bedroom** home, monthly payments may not exceed **\$826.25**
- purchasing a **4 bedroom** home, monthly payments may not exceed **\$892.50**

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<sup>6</sup> Affordable Housing Cost for Extremely Low Income Households is the product of 30 percent times 30 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50052.5(b)(1).

<sup>7</sup> Affordable Housing Cost for Very Low Income Households is the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50052.5(b)(2).

For **Lower Income** Buyers: <sup>8</sup>

- purchasing a **0 bedroom** home, monthly payments may not exceed **\$809.38**
- purchasing a **1 bedroom** home, monthly payments may not exceed **\$925.75**
- purchasing a **2 bedroom** home, monthly payments may not exceed **\$1,041.25**
- purchasing a **3 bedroom** home, monthly payments may not exceed **\$1,156.75**
- purchasing a **4 bedroom** home, monthly payments may not exceed **\$1,249.50**

In addition, for any Lower Income Household whose income falls within the following guidelines, it is optional for the Agency to require that affordable housing cost not exceed 30 percent of the gross income of the household: <sup>9</sup>

- **1 person household** whose income is between **\$32,375 and \$37,050**
- **2 person household** whose income is between **\$37,030 and \$42,350**
- **3 person household** whose income is between **\$41,650 and \$47,650**
- **4 person household** whose income is between **\$46,270 and \$52,900**
- **5 person household** whose income is between **\$49,980 and \$57,150**
- **6 person household** whose income is between **\$53,690 and \$61,400**
- **7 person household** whose income is between **\$57,365 and \$65,600**
- **8 person household** whose income is between **\$61,075 and \$69,850**

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<sup>8</sup> Affordable Housing Cost for Lower Income Households is the product of 30 percent times 70 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50052.5(b)(3).

<sup>9</sup> "[F]or any low income household that has a gross income that equals or exceeds 70 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable housing cost not exceed 30 percent of the gross income of the household." Health and Safety Code Section 50052.5(b)(3).

For **Moderate Income** Buyers:<sup>10</sup>

- purchasing a **0 bedroom** home, monthly payments may not exceed **\$1,483.85**
- purchasing a **1 bedroom** home, monthly payments may not exceed **\$1,697.21**
- purchasing a **2 bedroom** home, monthly payments may not exceed **\$1,908.96**
- purchasing a **3 bedroom** home, monthly payments may not exceed **\$2,120.71**
- purchasing a **4 bedroom** home, monthly payments may not exceed **\$2,290.75**

In addition, for any Moderate Income Household whose income falls within the following guidelines, it is optional for the agency to require that affordable housing cost not exceed 35 percent of the gross income of the household:<sup>11</sup>

- **1 person household** whose income is between **\$50,875** and **\$55,500**
- **2 person household** whose income is between **\$58,190** and **\$63,450**
- **3 person household** whose income is between **\$65,450** and **\$71,350**
- **4 person household** whose income is between **\$72,710** and **\$79,300**
- **5 person household** whose income is between **\$78,540** and **\$85,650**
- **6 person household** whose income is between **\$84,370** and **\$92,000**
- **7 person household** whose income is between **\$90,145** and **\$98,350**
- **8 person household** whose income is between **\$95,975** and **\$104,700**

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<sup>10</sup> Affordable Housing Cost for Moderate Income Households is not less than 28 percent of the gross income of the household, and not more than the product of 35 percent times 110 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50052.5(b)(4).

<sup>11</sup> "[F]or any moderate-income household that has a gross income that exceeds 110 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable housing cost not exceed 35 percent of the gross income of the household." Health and Safety Code Section 50052.5(b)(4).

**For purposes of determining Affordable Housing Cost for ownership housing, "Monthly Housing Payments" include an estimate of the following costs for the upcoming twelve months:**<sup>12</sup>

- principal and interest payments on the mortgage loan, including rehabilitation loans
- mortgage loan insurance fees
- property taxes and assessments
- fire and casualty insurance
- property maintenance and repairs
- a reasonable allowance for utilities (including garbage collection, sewer, water, electricity, gas and other fuels, but not telephone service), taking into consideration the cost of an adequate level of service
- homeowner association fees
- space rent, if the housing unit is on rented land

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<sup>12</sup> 25 California Code of Regulations Section 6920.

### 3. Determining Affordable Rent for Rental Housing<sup>13</sup>

For **rental housing**, the second step in determining compliance with affordable housing requirements is ensuring that the total rent costs payable by the tenant are within the allowable amounts.

For **Extremely Low Income** Households: <sup>14</sup>

- renting a **0 bedroom** home, monthly payments may not exceed **\$346.88**
- renting a **1 bedroom** home, monthly payments may not exceed **\$396.75**
- renting a **2 bedroom** home, monthly payments may not exceed **\$446.25**
- renting a **3 bedroom** home, monthly payments may not exceed **\$495.75**
- renting a **4 bedroom** home, monthly payments may not exceed **\$535.50**

For **Very Low Income** Households:<sup>15</sup>

- renting a **0 bedroom** house, monthly payments may not exceed **\$578.13**
- renting a **1 bedroom** house, monthly payments may not exceed **\$661.25**
- renting a **2 bedroom** house, monthly payments may not exceed **\$743.75**
- renting a **3 bedroom** house, monthly payments may not exceed **\$826.25**
- renting a **4 bedroom** house, monthly payments may not exceed **\$892.50**

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<sup>13</sup> The following maximum rents are calculated based on household sizes "adjusted for family size appropriate to the unit" of one person for a studio unit, two persons for a one-bedroom unit, three persons for a two-bedroom unit, four persons for a three-bedroom unit, and five persons for a four-bedroom unit. These assumed household sizes are specified in Health and Safety Code Sections 50052.5(h) and 50053, "provided there are no pertinent federal statutes applicable to a project or program..." Some agencies will apply the assumed household size used in the Federal Low Income Housing Tax Credit rules, instead of the preceding household sizes, when the project has been allocated tax credits.

<sup>14</sup> Affordable Rent for Extremely Low Income Households is the product of 30 percent times 30 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50053(b)(1).

<sup>15</sup> Affordable Rent for Very Low Income Households is the product of 30 percent times 50 percent of the area median income adjusted for a family size appropriate to the unit. Health and Safety Code Section 50053(b)(2).

For **Lower Income** Households:<sup>16</sup>

- renting a **0 bedroom** home, monthly payments may not exceed **\$693.75**
- renting a **1 bedroom** home, monthly payments may not exceed **\$793.50**
- renting a **2 bedroom** home, monthly payments may not exceed **\$892.50**
- renting a **3 bedroom** home, monthly payments may not exceed **\$991.50**
- renting a **4 bedroom** home, monthly payments may not exceed **\$1,071.00**

In addition, for any Lower Income Household whose income falls within the following guidelines, it is **optional** for the Agency to require that **affordable rent not exceed 30 percent of the gross income of the household:**<sup>17</sup>

- **1 person household** whose income is between **\$27,750 and \$37,050**
- **2 person household** whose income is between **\$31,740 and \$42,350**
- **3 person household** whose income is between **\$35,700 and \$47,650**
- **4 person household** whose income is between **\$39,660 and \$52,900**
- **5 person household** whose income is between **\$42,840 and \$57,150**
- **6 person household** whose income is between **\$46,020 and \$61,400**
- **7 person household** whose income is between **\$49,170 and \$65,600**
- **8 person household** whose income is between **\$52,350 and \$69,850**

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<sup>16</sup> Affordable Rent for Lower Income Households is the product of 30 percent times 60 percent of the area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50053(b)(3).

<sup>17</sup> "[F]or those lower income households with gross incomes that exceed 60 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household." Health and Safety Code Section 50053(b)(3).

## For **Moderate Income** Households:<sup>18</sup>

- renting a **0 bedroom** home, monthly payments may not exceed **\$1,271.88**
- renting a **1 bedroom** home, monthly payments may not exceed **\$1,454.75**
- renting a **2 bedroom** home, monthly payments may not exceed **\$1,636.25**
- renting a **3 bedroom** home, monthly payments may not exceed **\$1,817.75**
- renting a **4 bedroom** home, monthly payments may not exceed **\$1,963.50**

In addition, for any Moderate Income Household whose income falls within the following guidelines, it is **optional** for the Agency to require that **affordable rent not exceed 30 percent of the gross income of the household:**<sup>19</sup>

- **1 person household** whose income is between **\$50,875 and \$55,500**
- **2 person household** whose income is between **\$58,190 and \$63,450**
- **3 person household** whose income is between **\$65,450 and \$71,350**
- **4 person household** whose income is between **\$72,710 and \$79,300**
- **5 person household** whose income is between **\$78,540 and \$85,650**
- **6 person household** whose income is between **\$84,370 and \$92,000**
- **7 person household** whose income is between **\$90,145 and \$98,350**
- **8 person household** whose income is between **\$95,975 and \$104,700**

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<sup>18</sup> Affordable Rent for Moderate Income Households is the product of 30 percent times 110 percent of area median income adjusted for family size appropriate to the unit. Health and Safety Code Section 50053(b)(4).

<sup>19</sup> "[F]or those moderate income households whose gross incomes exceed 110 percent of the area median income adjusted for family size, it shall be optional for any state or local funding agency to require that affordable rent be established at a level not to exceed 30 percent of gross income of the household." Health and Safety Code Section 50053(b)(4).

**For purposes of determining Affordable Rent, "Rent" is an average of estimated housing costs for the next twelve months. "Rent" includes the total of monthly payments for all of the following:**<sup>20</sup>

- Use and occupancy of a housing unit and land and facilities associated therewith.
- Any separately charged fees or service charges assessed by the lessor which are required of all tenants, other than security deposits.
- A reasonable allowance for utilities not included in the above costs, including garbage collection, sewer, water, electricity, gas, and other heating, cooking, and refrigeration fuels. Utilities does not include telephone service. Such an allowance shall take into consideration the cost of an adequate level of service.<sup>21</sup>
- Possessory interest taxes or other fees or charges assessed for the use of land and facilities associated therewith by a public or private entity other than the lessor.

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<sup>20</sup> 25 California Code of Regulations Section 6918

<sup>21</sup> Many agencies adopt the utility allowance established by their county housing authority for this purpose.