

CITY OF CARLSBAD

COUNCIL POLICY STATEMENT

DATED: January 15, 2008

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Policy No.	73
Date of Issue:	January 22, 2008
Effective Date	January 22, 2008
Cancellation Date	
Supersedes No.	

Subject: CITY OPTION TO PURCHASE RESALE AFFORDABLE HOUSING

Copies to: City Council, City Manager, City Attorney, Department Heads and Division Heads,
Employee Bulletin Boards, Press, File

PURPOSE:

To provide guidelines to City employees as to when the City's option to purchase a restricted affordable housing ownership unit may be accepted or declined by the City Manager, or designee, and/or the City Council. This policy will allow the City Manager, or designee, to decline the City's Option, and to make recommendations to the City Council on when it would be appropriate to exercise the City's option to purchase an affordable housing ownership unit.

BACKGROUND:

The City's Inclusionary Housing Ordinance requires developers of residential projects with more than six units to provide fifteen percent of the homes to lower income households at an affordable price. Developers may satisfy the ordinance requirements by providing rental or for sale (ownership) units. Some developers are able to use alternatives such as second dwelling units or the purchase of affordable housing credits to meet the Inclusionary Housing Ordinance requirements if approved by the City Council.

Under the initial requirements of the Inclusionary Housing Program, low income homebuyers were required to execute *Resale Agreements* that allowed them to sell their homes at market rate to a non-low income homebuyer if they repaid the City outstanding loan amounts and paid a share of the equity from the sale, to the City. This initial policy did result in the loss of many of the for-sale affordable units in the City. Therefore, the policy was changed to require the restricted unit to be sold to another low income household during the first 15 years of a 30 year affordability term.

A new *Resale Restriction Agreement and Option to Purchase (Agreement)*, which gives the City an option to purchase the unit at a low income restricted price in the event the owner needs to sell the property prior to the end of the term of the Agreement, replaced the initial *Resale Agreement*. Agreements for affordable units in the Village Redevelopment Area, and units assisted with Redevelopment Low/Mod Housing Set Aside Funds, have an affordability term of 45 years while all others have a term of 30 years.

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During the first fifteen years of the *Agreement*, if the City does not use its option to purchase the property at a low income restricted price, the owner must resell the unit to a lower income household at an affordable price. After the initial fifteen years, the owner may sell the unit at market value to a non-low income buyer if the City does not use its option to purchase. When the unit is sold at market value, the seller must repay the City loans and share the equity from the sale with the City. This revenue is deposited into the City's Housing Trust Fund for future affordable housing purposes.

POLICY:

Through this policy, the City Council grants authority to the City Manager, or designee, to decline the option to purchase an affordable ownership unit at a restricted low income price during the first fifteen years of a *Resale Restriction Agreement and Option to Purchase*. Because the restricted unit must be sold to another low income homebuyer at a restricted price during the first fifteen years of ownership, there is no benefit to the City to exercise the option to purchase and there is no risk that the unit affordability will be lost to market conditions. If the City Manager, or designee, believes that it may be in the City's best interest to purchase the property during the first fifteen years, the matter will be presented to the City Council with a recommendation for consideration and action to accept/decline the purchase option. After the initial fifteen years, all notices of a low income homebuyer's intent to sell will be presented to the City Council for consideration and a decision as to whether or not to accept/decline the purchase option.

This policy shall apply to all units restricted under a *Resale Restriction Agreement and Option to Purchase* in order for a housing development to comply with the requirements of the City's Inclusionary Housing Program.