



CITY OF SCOTTS VALLEY

PLANNING DEPARTMENT

One Civic Center Drive • Scotts Valley • California • 95066
Phone (831) 440-5630 • Facsimile (831) 438-2793 • www.scottsvalley.org

City of Scotts Valley Affordable Housing Action Plan Brochure (updated August 5, 2016)

Please Note:

Due to the passage of AB1X26 and AB1X27 by the State of California, City funding for new affordable housing programs has been suspended.

However, there are existing and new restricted affordable housing units to rent or buy. See pages 7-9 for list of developments and contact information.

Before contacting an apartment manager or developer:

1. Confirm your total household income level, such as moderate, low, very low, etc., on page 2; then,
2. Check which preference criteria, such as live and work in the City limits, live in the City, etc., you qualify for on page 3.

Please contact Michelle Fodge, Senior Planner, at (831) 440-5632 or mfodge@scottsvalley.org if you have any questions.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
History and General Program Provisions	
Disclaimer	
WHO QUALIFIES FOR AN AFFORDABLE HOUSING UNIT?	2
Income Limits	
Preference Criteria	
AFFORDABLE HOUSING PROGRAMS	4
Inclusionary Housing Program	
Security Deposit Guarantee Program	
Silent Second Mortgage Program/First Time Homebuyers (see Maximum Housing Cost Requirements on page 10)	
Mortgage Credit Certificates	
Density Bonus	
HOW TO FIND AN AFFORDABLE HOUSING UNIT	6
Rental Units	
For-Sale Units	
AFFORDABLE HOUSING UNIT TYPES AND LOCATIONS	7
Rental Units	7
For-Sale Units	8

INTRODUCTION

History and General Program Provisions

This brochure gives a general overview of Affordable Housing Programs within the City of Scotts Valley (within the city limits/boundaries). The affordable housing programs were funded through the former Scotts Valley Redevelopment Agency (the “Agency”), as provided in the Scotts Valley Redevelopment Plan. (The Housing Component of the Redevelopment Agency’s Implementation Plan shows how the Redevelopment Plan goals and objectives for housing preservation and production will be implemented and how the statutory requirements for the set-aside and expenditure of tax increment for housing purposes will be met.)

In June 1992, the Agency adopted an Affordable Housing Action Plan (Action Plan) which is an overview of affordable housing programs, as well as the type, location and standard (e.g., very-low, low and moderate) of built affordable housing units in the City.

The Action Plan includes the various affordable housing programs, procedures, and financing mechanisms. The Action Plan also includes a preference system for qualified households which gives priority to those residents who live and work within the City limits or boundaries. In addition, the Agency has contracted with the Housing Authority of Santa Cruz County to administer the various programs.

Since 1994, new affordable housing units and other programs have been implemented. Programs include a Silent Second and First Time Home Buyer financing, a first month’s rent and security deposit guarantee for families moving into units, developer-initiated affordable housing unit construction, and Agency subsidies for lower income rental units.

An Affordable Housing Subcommittee was established to assist staff in the implementation of the Action Plan. The Affordable Housing Sub-Committee meets on an as-needed basis. The Subcommittee evaluates affordable housing proposals that come before the City and provides direction on the implementation of new and existing affordable housing programs. Affordable Housing Agreements have been negotiated by this Subcommittee for several projects.

Disclaimer

The purpose of this brochure is to inform readers of the City’s programs, locations of affordable housing units, and related information. The brochure does NOT replace the selection and certification process that developers establish for their housing project. In some cases, the Agency may establish specific rules or procedures to address a particular project. Interested parties are responsible for placing their name on the developer’s waiting list and preparing complete applications which must then be submitted to the developer on a timely basis. Because the process for obtaining an affordable unit is often very competitive, interested parties cannot be guaranteed that they will be selected for a unit within the program.

WHO QUALIFIES FOR AN AFFORDABLE HOUSING UNIT?

Income Limits

Low and moderate income is defined in the Community Redevelopment Law by reference to Section 50093 of the State Health and Safety Code (HSC). Income levels are defined below:

- **Extremely low income:** is defined as income less than 30% of median income for the applicable household size (HSC Section 50106).
- **Very low income:** is defined as income less than 50% of median income for the applicable household size (HSC Section 50105).
- **Low income:** is defined as income of 50% to 80% of median income for the applicable household size (HSC Section 50079.5).
- **Moderate income:** is defined as household income of 80% to 120% of median income for the applicable household size.

The table below gives the income limits by family size and by type of income, extremely low, very low, low, and moderate, (effective May 24, 2016 for state programs).

	Extremely Low	Very Low	Low	Median	Moderate
Family Size	30% of Median Income	50% of Median Income	80% of Median Income	100% of Median Income	120% of Median Income
1	\$21,200	\$35,300	\$56,500	\$60,900	\$73,100
2	\$24,200	\$40,350	\$64,550	\$69,600	\$83,500
3	\$27,250	\$45,400	\$72,600	\$78,300	\$93,950
4	\$30,250	\$50,400	\$80,650	\$87,000	\$104,400
5	\$32,700	\$54,450	\$87,150	\$93,950	\$112,750
6	\$35,100	\$58,500	\$93,600	\$100,900	\$121,100
7	\$37,550	\$62,500	\$100,050	\$107,900	\$129,450
8	\$40,890	\$66,550	\$106,500	\$114,850	\$137,800

Preference Criteria

In addition to the income limits, the City has adopted a preference system to ensure that affordable housing units are provided to City residents and workers as a priority. As a unit is rented or sold, the project developer works with the City and its consultant, the Housing Authority, to review applicants according to the adopted preference criteria, which is the criteria to be met by households in the rank order listed and defined below.

1. **Live and work in Scotts Valley:** A household which includes at least one adult whose primary work location is within the city limits of the City of Scotts Valley and they have been working in Scotts Valley for a minimum of six (6) months, and the household has resided in the City of Scotts Valley for a minimum of six (6) months prior to the date of application to purchase the unit.
2. **Live in Scotts Valley:** A household which has resided within the city limits of the City of Scotts Valley for a minimum of six (6) months prior to the date of application to purchase the unit.
3. **Work in Scotts Valley:** A household which includes at least one (1) adult who has worked within the city limits of the City of Scotts Valley for a minimum of one (1) year prior to the application to purchase the unit and at least one (1) adult shall be working in Scotts Valley at the time of occupancy of the unit.
4. **Live and work in Santa Cruz County:** A household which contains at least one (1) adult who works within the County of Santa Cruz and the household has resided in the County of Santa Cruz for a minimum of one (1) year prior to the date of application to purchase the unit.
5. **Live in Santa Cruz County:** A household which has resided in the County of Santa Cruz for a minimum of six (6) months prior to the date of application to purchase the unit.
6. **Work in Santa Cruz County:** A household which includes at least one (1) adult has worked in the County of Santa Cruz for a minimum of one (1) year prior to the date of application to rent the unit and at least one (1) adult shall be working in the county of Santa Cruz at the time of occupancy of the unit.
7. **All Others:** A household which does not meet any of the above listed Preference Criteria.

AFFORDABLE HOUSING PROGRAMS

Inclusionary Housing Program

The Scotts Valley Redevelopment Agency reviews all new housing development within the Redevelopment Area. The Redevelopment Plan requires that each new housing project include 15% of the units as affordable housing units. This requirement is referred to as the Agency's Inclusionary Housing Program. Each new housing project over six (6) units must generate affordable housing units.

Projects with less than six (6) units may choose to pay an "in-lieu" fee. For example, a new housing project with ten units would be required to provide 1.5 new affordable housing units. For the fractional portion of the units required, the developer could provide two (2) units or pay an in-lieu fee for the 0.5 unit fractional portion and provide one (1) unit within their project. The Agency estimates that 417 potential units may be built in the next 25 years on vacant property in the Redevelopment Area. At least 15% or 63 of these units should be affordable.

The Agency has used Affordable Housing funds to assist various projects providing inclusionary units. For rental units in particular, the Agency has negotiated agreements to off set low and very low income units, in an amount equal to the difference in rent from the low or very low unit and moderate income rent rates.

The Agency has not subsidized units on the basis of market rate rents, and has not recently provided any subsidies for units which are sold. Each project is considered on a case by case basis with the Affordable Housing Subcommittee who then makes a recommendation to the Agency Board. Each project is required to enter into an agreement to secure the unit to be rented or sold to qualifying families, at restricted prices for a 45 or 55 year period depending on the type of project, as mandated by State Law.

For the units that are sold, qualifying families or individuals must also be first-time-home buyers. To be a first time home buyer, the family shall not have owned a residence or had an interest mortgage deduction for at least the last three years before applying for a unit. For this purpose, a residence includes a single-family residence, condominium, share in a housing cooperative, any manufactured home or mobile home (as defined under federal and state law), or occupancy in a two to four family residence owned.

For this purpose, a present ownership interest means ownership by any means, whether outright or partial, including property subject to mortgage or other security interest. A present ownership interest also means a fee simple ownership interest, a joint ownership interest by joint tenancy in common, or tenancy by the entirety, or a life estate interest.

Security Deposit Guarantee Program

This new program was adopted by the Agency in Spring, 1999. The program uses monies from the affordable housing set aside fund to assist low and moderate income families with rental assistance in the form of a loan security deposit. This program is coordinated through the Agency's contract for affordable housing programs by the Housing Authority of Santa Cruz County.

Silent Second Mortgage/First Time Homebuyers Program (SSM/FTHP)

In November 1997, the City implemented a "silent second mortgage" program for first-time home buyers (*see text box on previous page for definition*). The silent second mortgage is gap financing in that it bridges the difference between the maximum primary loan possible and the down payment. In June 2010, the City Council increased the amounts so that qualified buyers may receive a second mortgage of up to \$100,000 for the purchase of a conventional home and up to \$40,000 for buying a mobile home located within the City limits. Please note that the full amount is not guaranteed; the amount depends on the actual gap.

State Law limits the amount a family can pay for housing, utilities, taxes and insurance at up to 40% of annual income. A loan to value ratio of 95%/5% is required. Therefore to use this program, applicants must provide a minimum 5% down payment. The Agency also shares in the equity value of the home at the time it is sold, in lieu of charging interest on the silent second loan. The second mortgage is called "silent" because no payments are made on it until the house is resold or refinanced.

In the past, the City limited the amount of gifted funds that qualifying households may include with a down payment. However, in June 2010, the City Council reconsidered its policy and concluded that as long as households qualified for the current income levels and that the City-adopted preference criteria were followed, the amount of gifted funds included with down payments shall no longer be limited.

Mortgage Credit Certificates

The City of Scotts Valley participates in the Mortgage Credit Certificate (MCC) Program which provides a tax credit to eligible first-time home buyers. The MCC reduces the amount of Federal income tax the homeowners pays, thus providing more available income to qualify and pay for a mortgage loan. This program is an effective tool for many first-time home buyers, who without this assistance, would be unable to qualify for a home mortgage loan. Since the start of this program, the City has issued 22 MCC's.

Density Bonus

As required by State Law, development projects may receive up to a 25% density bonus for projects where the additional units are set aside as restricted affordable housing units. Prior to the formation of the Agency, one project, a senior assisted living project called Oak Tree Villa, applied for and received a density bonus from the City. A total of 20, studio type units are restricted to families meeting the low income criteria.

HOW TO FIND AN AFFORDABLE HOUSING UNIT

Rental Units

Rental units are found by contacting the on-site manager at each complex. All of the apartment projects listed in this brochure have on-site managers, except the San Augustine Way site. Typically, there is a waiting list (for the affordable units). Interested families should first determine if their income level qualifies for either very-low, low or moderate income, and then they should check where they fall within the City's Preference Criteria. The attached map shows where the different affordable unit sites are located. Interested parties should apply directly to the manager; see contact names and phone numbers on pages 7-8.

The Scotts Valley Redevelopment Agency has contracted with the Housing Authority of Santa Cruz County to assist in implementing the programs listed in this report.

Interested parties are encouraged to visit the Housing Authority website at www.hacosantacruz.org, before contacting them at (831) 454-9455. The website has the forms that you will need for your appointment with the Housing Authority, to confirm eligibility and to determine the type and location of units available. If internet access is not available, please contact the Planning Department, at (831) 440-5630, for a copy of the forms.

For-Sale Units

For-sale units are found initially at the time a project is constructed and units are sold. After that, units come available when owners choose to sell them. For those units which have not been built, interested parties should contact the developer to get on a waiting list. When the selection process has started, the developer will have an application period where interested parties may apply. Interested parties should contact a mortgage lender to evaluate their credit status and be prepared to submit a pre-approved loan with their application package.

A down payment is usually required, depending on the type of loan. The Scotts Valley Redevelopment Agency provides for silent seconds in qualifying situations. If a silent second is to be used, a minimum loan to value ratio of 95/5% must be met, which requires a minimum of 5% as a down payment.

Remember, in most situations, the process of obtaining a rental or for-sale unit is competitive, and therefore, there is no guarantee that any person will get a specific unit within the programs.

AFFORDABLE HOUSING UNIT TYPES AND LOCATIONS

Rental Units

Each of the affordable housing projects within the City of Scotts Valley is described below. (See Map 1 on page 11 for the location of each site; **a total of 85 units**)

- 1. Acorn Court Apartments, 100 Acorn Court:** This completed 26-unit rental apartment project includes four (**4**) new affordable units (4 low-income), with a 30-year agreement (executed on October 20, 1999) to keep the four units at affordable rental rates. To promote the creation of new affordable rental units, the Agency assisted the project with gap financing, which provides the difference between the average market rate or moderate income rate (which ever is lower) and low income rental rates. The estimated cost of the subsidy is \$14,183 per year and will fluctuate over time as market changes. The affordable units are rented on an as-available basis. All units have two-bedrooms. The management requires a minimum 1-year lease and a gross income of three-times the portion of rent calculated. Cats are allowed. Print an application from the Acorn Court website. **Contact: Sharon Hartung, Manager, at (831) 440-1984 or www.acorncourt.com.**
- 2. Bay Tree Apartments, 800 Flora Lane:** This completed project includes 41 apartments and 20 town homes. Of the 61 total units, a minimum of nine (**9**) units are designated as low and moderate income apartment units, with a 30-year agreement (executed on June 7, 2000) to keep the nine units at affordable rental rates. An affordable housing agreement ensures five low and four moderate income units. To promote the generation of new rental units at lower rates, the Agency assisted the project in gap financing. The gap financing provides the difference between the average market rate or moderate income rate (which ever is lower) and low income rental rates. **Contact: Robert Murphy, Office Manager, at (831) 438-5004 or www.baytreeapartments.com**
- 3. Emerald Hill Apartments, 101-102 Civic Center Drive:** This completed 46-unit apartment project includes an affordable housing agreement for 22 of the units to be held at low income rates. After project approval, a Federal HOME Grant was approved in the amount of \$420,000. In addition, the project used tax allocation credits. This program requires that all **46** units be held at affordable rates for low income families. The Agency provided assistance for various elements of the project, in an amount of approximately \$1.2 million dollars. The project was completed in 1999, and units are occupied and rented on an as-available basis. **Contact: Office Manager, at (831) 439-9553, or emeraldhill@midpen-housing.org**
- 4. Markell Mixed Use Apartments, 4404 Scotts Valley Drive:** This project provides and three (**3**) low-income one-bedroom apartments rented at studio-level rents, with a 55-year agreement (executed on July 20, 2005) to keep the three units at affordable rental rates. **Contact: Rod Markell, Property Owner, at (831) 239-4899.**

5. **Oak Tree Villa (Brookdale Renaissance Senior Living Communities), 100 Lockwood Lane:** This is a completed project for active seniors and assisted living, consisting of 204 units. Of the total units, **20** units are reserved for low income families (one to two persons). The project is located on Mt. Hermon Road at Lockwood Lane. Units are rented on an as-available basis. **Contact: Brookdale staff at (831) 438-7533 or <http://www.brookdaleliving.com>**
6. **Oak Lane Apartments, 134 Oak Lane:** This is an existing 4-unit apartment complex. One **(1)** of the units is a moderate-income unit. **Contact: Kane & Suzanne Silverberg at (831) 475-5693.**
7. **San Augustine Way Apartments, 104 San Augustine Way:** This 6-unit apartment project was completed without any Agency assistance. The project provides the required affordable housing with one **(1)** very-low income unit, which is secured with a 30 year agreement with the Agency. **Contact: Marlyn or Ken Bergman at (831) 438-4500.**

Existing For-Sale Units

(See Map 2 on page 12 for the location of each site; **a total of 24 units**)

1. **Blue Bonnet Lane Condos, 268 Blue Bonnet Lane:** This project includes 31 condominium units on Blue Bonnet Lane, near the Scotts Valley Senior Center. The project provides two low-income and three moderate-income units. These five **(5)** units have been sold, and units become available when an owner chooses to sell a unit.
2. **Cathy Lane Condos, 14-30 Cathy Lane:** This condominium project on Cathy Lane, west of Scotts Valley Drive, provides one low-income and seven moderate-income units. These eight **(8)** units have been sold and become available when an owner chooses to sell a unit.
3. **101 Kelly Court:** This project includes 11 detached single-family lots, located off Scotts Valley Drive and Oak Creek Blvd. (behind Malone's Restaurant). The project provides one **(1)** moderate-income house. The moderate-income house has been sold and becomes available when the owner chooses to sell the unit.
4. **4861 Scotts Valley Drive:** This recently approved 4-lot detached single-family project provides one **(1)** moderate-income house. The development has a Joint Maintenance Agreement. The moderate-income house has been sold and becomes available when the owner chooses to sell the unit.
5. **Torrey Oaks Condos, 138-140 La Cuesta Drive:** This 11-unit condominium project is located on Mt. Hermon Road and La Cuesta Drive. This project provides (1) low-income unit and (1) moderate-income unit. These two **(2)** units have been sold and become available when an owner chooses to sell a unit.

6. **Town Center Collection, 237 Blue Bonnet Lane:** This project is a 46-unit townhouse development located east of the transit center and north of the Kings Village Shopping Center. The project will provide a total of five (5) affordable units, one (1) moderate and four (4) low income units. These units have been sold and become available when an owner chooses to sell a unit.
7. **Windward Place Subdivision, 11 and 13 Windward Place:** This project includes nine (9) detached single-family houses located on Ball Drive. Lot sizes range from 2,800 - 3,800 sq. ft. The project provides two (2) moderate-income houses. These units have been sold and become available when an owner chooses to sell a unit.
8. **5007-5015 Scotts Valley Drive - Woodside:** This 49-unit detached single-family house project includes six (6) moderate units and one (1) low-income unit. These units have been sold and become available when an owner chooses to sell a unit.
9. **10 Siri Lane - The Manor:** This 8-unit small lot detached housing project provides one (1) low-income affordable unit. The unit is sold and will become available when the owner sells.

Units Approved

10. **Scotts Valley Drive - The Terrace:** In November 2015, the City approved a 17-unit townhouse development behind the Shell Gas Station near Mt. Hermon Road. The project will provide two (2) affordable units, income levels to be determined. **Contact: Chris Perri, Developer, at cpvperri@gmail.com**
11. **Polo Ranch Road - The Grove:** In March 2016, the City approved a 50-unit townhouse style condominium development on the former Borland Phase II Site. The project will provide four (4) moderate-income units and three (3) low-income units. **Contact: Samantha Hauser, Director of Development, at samantha@cityventures.com**

Units to be Approved

12. **4303-A Scotts Valley Drive - Polo Ranch:** In August 2009, the City approved Lennar Communities' design to build 40 single-family detached houses on the former Santa's Village Amusement Park site, east of Highway 17. Lennar's affordable housing requirement is located behind Chef Liu Restaurant. Lennar proposes to build two triplexes, for a total of six (6) low-income condominiums. Public hearings dates will be scheduled. **Contact: Brent Reed, Project Manager, at (925) 327-8307 or Brent.Reed@Lennar.com**