

# **Policies and Procedures for the Administration of the Inclusionary Housing Ordinance**

*From Pre-Development through Applicant Eligibility Verification (Ownership  
and Rental), Rental Re-Certification, and Owner-Occupied Re-Sale*

**For The Village of Northbrook Inclusionary Housing Program**



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## I. Introduction

The Village of Northbrook's ("the Village") inclusionary housing program, in accordance with the Village's Zoning Code Amendment Article IX; Part III related to Affordable Housing in New Developments. ("Inclusionary Housing Ordinance" or "IHO"), is intended to promote the public health, safety and welfare of existing and future Northbrook residents by requiring certain residential developments or mixed use developments to incorporate a percentage of units to be sold or rented at an affordable price to households with income below 120% of Area Median Income, or to utilize other mechanisms that will promote affordable housing opportunities in the Village. The Policies and Procedures for the Administration of the Inclusionary Housing Ordinance ("Policies and Procedures") outlines the policies and procedures for complying with the IHO, from the pre-development phase through initial lease up and sales and periodically as tenants and homeowners leave and units turnover to new tenants or homeowners. The Developer/Owner ("Developer") of the development project is responsible for following these procedures and for submitting an Affordable Housing Compliance Plan ("Compliance Plan") to the Village for review and approval by a commission or committee designated by the Village of Northbrook and the Village of Northbrook Board of Trustees ("the Village Board"). The Village has designated Community Partners for Affordable Housing ("CPAH") as its designee for consultation about the Village of Northbrook's inclusionary housing program.

## II. Governed Residential Development Affordable Housing Compliance Plan Process and Regulations

### A. Governed Developments

Governed developments are developments that result in the addition of or contain six or more residential dwelling units. This includes:

- (1) new residential construction or new mixed-use construction with a residential component,
- (2) a development that is the renovation or reconstruction of an existing multiple family residential building that increases the number of residential dwelling units from the number of dwelling units in the original structure,
- (3) a development that will change the use of an existing building from non-residential or that will change the class of residential use from single family to multi-family, and
- (4) a development that includes the conversion of rental property to private ownership of individual dwelling units. Assisted living and nursing facilities are not governed by the IHO

## **B. When the Village Receives an Inquiry About Possible New Development, Renovation, Reconstruction, or Conversion of Residential Dwelling Units**

When the Village receives an inquiry from a party interested in constructing a new residential development, or rehabilitating or converting property:

- (1) Village staff will determine if the development is governed by the Inclusionary Housing Ordinance.
- (2) If the development is governed by the Inclusionary Housing Ordinance, Village staff will suggest a meeting with the developer, Village staff and CPAH.
- (3) Village staff and CPAH will work with the developer to answer questions and provide guidance on inclusionary housing compliance.
- (4) At this initial stage, after consultation with staff, Developer will be asked to provide a narrative that outlines their intention related to meeting the Village's affordable housing requirements. The narrative may include the expected number of on-site affordable units, whether developer plans to seek alternative compliance, and if so, what alternative compliance they expect to request. It can (but is not required to) also include the targeted income tiers of the proposed affordable units, size of affordable units, compliant rents or sales prices, building amenities, and other details related to the affordable housing requirement that the Developer deems important to include. This narrative will guide the discussion with Village staff, Commissions and the Village Board as the Developer prepares a preliminary Affordable Housing Compliance Plan as part of the Developer's formal application to the Village if they decide to go forward.

## **C. General Compliance Guidelines for Developers**

The following is a summary of the ordinance requirements.

- (1) Governed developments shall provide 15% of the total number of units in the Development as affordable housing units. When calculation of 15% of the total number of units is a fractional number:
  - (a) if the fraction is greater than 0.5, the required number of affordable units will be rounded up to the next whole number and there is no option for fee-in-lieu for the fractional unit.
  - (b) if the fraction is equal to or less than 0.5, the developer can elect to round up to the next whole number to provide an additional affordable unit OR may round down to the whole number and instead pay the fee-in-lieu for that additional fractional, affordable unit.
- (2) Affordable rental and owner-occupied units will remain affordable in perpetuity. In the case of a conversion from rental to owner-occupied or owner occupied to rental, the ordinance requirements will continue to apply to those units.

- (3) For rental development, at least 1/3 of the affordable units shall be occupied by those with household income below 50% of AMI. At least 1/3 of the affordable units shall be occupied by those with household income equal to or greater than 50% AMI but less than 80% AMI. No more than 1/3 of the units shall be occupied by households with income equal to or greater than 80% AMI but not exceeding 100% AMI.
- (4) In a development of homes for sale, 50% of the affordable units shall be sold to those with household income below 80% of AMI, and 50% of the affordable units shall be sold to those with household income equal to or greater than 80% AMI but less than 120% AMI.
- (5) If a developer proposes to include fewer than 15% of affordable units on site in the development, the proposed alternative method of compliance must be submitted in the Affordable Housing Compliance Plan that will be reviewed in accordance to Sections I.F and 1. G, below.
- (6) The Village Manager will annually publish a schedule of rents and sales prices that comply with the ordinance.

#### D. Eligible Income Tiers and Maximum Prices

Affordable units in governed developments may only be offered to eligible households from the income tiers and at the maximum price levels listed in the chart below.

Affordable Rental Units	Proportion of Included Units	Eligible Income Tier	Maximum Rent Prices for Eligible Income Tiers
	<u>At least</u> 1/3 (33.33%)	<u>Tier A</u> : Households with income less than 50% of AMI	Attainable to household with income equal to 45% AMI
	<u>At least</u> 1/3 (33.33%)	<u>Tier B</u> : Households with income equal to or greater than 50% AMI but less than 80% AMI	Attainable to household with income equal to 65% AMI
	<u>No more than</u> 1/3 (33.33%)	<u>Tier C</u> : Households with income equal to or greater than 80% AMI but not exceeding 100% AMI	Attainable to household with income equal to 80% AMI
If three or fewer units offered	100%	Households with income less than 80% AMI	Attainable to household with income equal to 65% AMI
Affordable Owner-Occupied Units	Proportion of Included Units	Eligible Income Tier	Maximum Purchase Price for Eligible Income Tiers
	1/2 (50%)	<u>Tier 1</u> : Households with income less than 80% AMI	Attainable to household with income equal to 65% AMI
	1/2 (50%)	<u>Tier 2</u> : Households with income equal to or greater than 80% AMI but less than 120% AMI.	Attainable to household with income equal to than 100% AMI

## E. Incentives For Development of On-Site Affordable Units

Developers incorporating the required affordable housing units on-site will be allowed to take advantage of the following incentives and development options. If a governed development requests and is approved for an alternative means of compliance in lieu of providing the units on site, they are not eligible for the incentives set forth in this section.

### (1) Density bonus

Any governed development providing affordable housing units shall be entitled to an increase in the permitted residential density equal to one additional dwelling unit above that otherwise established by the zoning district in which the development is located for each required affordable housing unit provided on-site. Below are examples of how a developer may choose to utilize the density bonus and comply with the overall requirement that 15% of the total number of dwelling units in the development must be affordable.

#### Example:

A developer proposes to build 32 units, which is the maximum allowed under the zoning district. Fifteen percent, or 4.8 units which is rounded up to 5, are required to be affordable. The developer is therefore eligible for 5 bonus units, which brings the development size to 37 units (32 + 5). A final round of calculations is performed to determine the total affordable housing unit requirement: 15% of 37 units = 5.55. Since 5.55 includes a fraction greater than .5, the requirement is to provide 6 affordable housing units. The developer then has two options:

- a) The developer can build 31 market rate units and 6 affordable units  
OR
- b) The developer may decide to build 30 market rate units, 5 affordable units, and pay a fee in lieu of the 6<sup>th</sup> unit. This would be allowed because fifteen percent of the total 35 units, or 5.25 units, includes a fraction less than .5, allowing the developer to pay a fee in lieu of the 6th unit.

### (2) Design flexibility

Any governed development providing the minimum number of affordable housing units will be eligible to obtain greater flexibility in development design through the options listed below. The options below would NOT require special zoning relief if the flexibility is necessary to accommodate the affordable units within the physical envelope of the development. Please refer to the Zoning Code Text Amendment Article IX, Park III, 9-307 for additional details on the options listed below including choice of housing stock, and reductions and increase of standards. The options are:

- (a) expanded choice of housing stock type to include single family or 2 family units within R-1, R-2, R-3, R-4 and R-5 zoning districts, and single family, duplex, triplex or townhouse units, condominiums, or multifamily residential structures in other districts
- (b) reduced setback and lot size requirements
- (c) reduced buffering and screening requirements internal to the development
- (d) increased building height up to one story or 12' EXCEPT in single family residential districts
- (e) increased lot and building coverage
- (f) increased floor area ratio
- (g) reduced off-street parking minimums
- (h) fee waivers and reductions on affordable units

The Village shall not be required to approve any request for a waiver, reduction, or modification of any development standard if the waiver, reduction, or modification would have a specific and foreseeable adverse impact.

## **F. Design and Location of Affordable Housing Units**

On- site affordable housing units must meet the following standards unless the development is granted an exception by the Village Board as part of the Affordable Housing Compliance Plan:

- (1) Affordable units must be dispersed throughout the development and not clustered
- (2) Unit size must be similar to the size of the corresponding market rate unit
- (3) Each phase of construction must include a proportionate number of affordable units relative to market rate units
- (4) Affordable unit exteriors must be visually compatible with and indiscernible from the market rate units and finishes must be substantially the same for market and affordable units
- (5) Affordable units may have different interior finishes and appearance than market rate units. Materials for affordable units must be contractor grade or higher.
- (6) Affordable unit bedroom mix must be proportionate to the bedroom mix of the market rate units
- (7) Affordable units must have similar access to common areas, facilities, and services as the market rate units
- (8) Affordable units must include a minimum of one parking space each at no additional charge. Additional spaces may be made available to the tenant or owner of an affordable unit at the same price as for the market rate units.
- (9) If the market rate units include storage, affordable units must also include storage at no additional charge. If storage space is not allocated to all units, then the affordable units should have access to storage in the same manner and



proportion as do the market rate housing units at a discounted cost equivalent to the ratio of the affordable unit rent or price compared to the rent or price of a similar market rate unit.

- (10) Affordable units must have the same energy efficiency features as the market rate units.
- (11) If a development is both rental and owner-occupied housing units, the ratio of rental to owner-occupied must be the same as for the market rate units.

## G. Alternative Means of Compliance

The IHO provides specific alternatives to the production of on-site affordable housing units but the intent and preference of the IHO is for the provision of affordable units to be incorporated within governed developments. Any deviation from the on-site minimum affordable housing requirement may only be approved as part of the Village's review of the Affordable Housing Compliance Plan.

The following are possible alternative means of compliance:

- (1) Some or all of the required units may be provided at an alternate off-site location, but only upon a determination by the Village Board that provision of the required units at an alternate off-site location will create affordable housing opportunities in the Village to an equal or greater extent than including affordable units within the governed development.
- (2) A developer may dedicate land, but only if: (a) the Village Board determines that dedication of land will create affordable housing opportunities in the Village to an equal or greater extent than including affordable units in the governed development; and (b) the developer offers to dedicate a quantity of land sufficient to construct a quantity of affordable dwelling units that the developer would otherwise be required to provide within the governed development.
- (3) A developer may make a cash payment in-lieu of construction of some or all of the required affordable housing units, but only if (a) the governed development consists solely of 19 or fewer single-family detached dwelling units or (b) the Village Board approves such a payment and determines that such a payment will create affordable housing opportunities in the Village to an equal or greater extent than through the inclusion of affordable units in the governed development. The amount of the payment-in-lieu per affordable housing unit will be set forth in the Village's Annual Fee Ordinance. Developers will be required to submit any permitted payment-in-lieu PRIOR to the issuance of any building permits for the governed development.
- (4) A developer may request that it be allowed to fulfill the affordable housing requirements through a combination of the alternative methods set forth above.

## H. Affordable Housing Compliance Plan

As part of the approval of a governed development project, the Developer must present to the Plan Commission and the Village Board an Affordable Housing Compliance Plan that outlines and specifies the governed development's compliance with each of the applicable requirements.

### (1) Preliminary Affordable Housing Compliance Plan

The preliminary Affordable Housing Compliance Plan, which will be submitted with the Developer's formal application, must include the following:

- (a) General description of the development
- (b) Total number of market rate and affordable housing units, and total number of attached and detached units
- (c) Number of bedrooms in each market rate and affordable unit
- (d) Floor area of each market rate and affordable unit
- (e) Location of the market rate and affordable units within the development
- (f) Floor plans for the affordable units
- (g) Amenities and any associated fees that will be provided to the market rate and affordable units
- (h) Pricing for the market rate and affordable units. The Village Manager will annually publish a schedule of rents that comply with the ordinance.

### (2) The Final Affordable Housing Compliance Plan

The final Affordable Housing Compliance Plan, which will incorporate Developer's adjustments as desired after review by staff, the Plan Commission and the Village Board, shall be submitted with the final application and must include the following:

- (a) All of the information required for the preliminary Affordable Housing Compliance Plan
- (b) Phasing and construction schedule for each market rate and affordable unit
- (c) Documentation and plans regarding exterior and interior appearances
- (d) Description of the marketing plan for the affordable units
- (e) Description of the efforts to provide affordable housing to eligible households

### (3) Review of Preliminary Affordable Housing Compliance Plan

Within 60 days after filing the complete preliminary Affordable Housing Compliance Plan, the Plan Commission shall review the preliminary Affordable Housing Compliance Plan and shall recommend either the approval (with or without modifications) or the rejection of the preliminary Affordable Housing Compliance Plan. The Plan Commission shall transmit its findings of facts and recommendation to the Village Board. Upon receipt of the Plan Commission recommendation, the

Village Board may approve (with or without modifications) or reject the preliminary Affordable Housing Compliance Plan.

**(4) Review of Final Affordable Housing Compliance Plan**

Within 60 days after the filing of a final Affordable Housing Compliance Plan in conjunction with Developer's submission of a final application, the Plan Commission shall review the final Affordable Housing Compliance Plan and shall recommend either the approval (with or without modifications) or the rejection of the Affordable Housing Compliance Plan to the Village Board. Any determination approving a final Affordable Housing Compliance Plan shall include all standards, conditions or restrictions deemed necessary to effectuate the proposed development and all provisions requiring the execution and recordation by the Developer of a housing development agreement.

**(5) Concurrent Review of Preliminary and Final Affordable Housing Compliance Plans**

For all governed developments that are not planned developments, and for all planned developments for which a concurrent review procedure has been approved, the Plan Commission and Village Board may review the preliminary and final Affordable Housing Compliance Plans concurrently.

**(6) Standards of Review**

The Plan Commission may not recommend the approval of a preliminary or final Affordable Housing Compliance Plan, and the Village Board may not approve a preliminary or final Affordable Housing Compliance Plan, except upon making the following findings:

- (a)** That the Developer has demonstrated that the proposed affordable housing units are designed to accommodate the needs of the target households
- (b)** That the location, floor plan, fixtures and finishes, and amenities of each proposed affordable housing unit are suitable for the needs of the target households
- (c)** That each affordable housing unit is designed to accommodate family living needs for common space and dining areas
- (d)** That the proposed affordable housing units, and the development as a whole, conform to the applicable standards and requirements of the IHO
- (e)** That any alternative methods for providing required affordable housing units satisfy the respective standards
- (f)** That the application of any development incentives satisfies the standards set forth in the IHO

## **I. Housing Development Agreement and Covenants**

Prior to issuance of a building permit for any governed development, a Developer must enter into a housing development agreement with the Village establishing requirements and restrictions for the inclusion of affordable housing units in the governed development. The Developer shall execute any and all documents deemed necessary by the Village, including, without limitation, restrictive covenants and other related instruments, to ensure the continued affordability of the affordable housing units within the development. The housing development agreement shall set forth the commitments and obligations of the Developer and the Village and shall incorporate, among other things, the final Affordable Housing Compliance Plan for the covered development. The housing development agreement shall also memorialize any alternatives and incentives that have been approved as part of the Affordable Housing Compliance Plan for the development.

## **III. Inclusionary Affordable Rental Units in Governed Developments**

### **A. Marketing of Affordable Rental Units**

- (1) Developers are responsible for good faith marketing of the affordable housing units to members of the public who are likely to be eligible households qualified to lease the affordable rental units. CPAH can assist the Developer in marketing the affordable housing units.
- (2) Sixty days prior to offering any affordable unit for lease, the developer must notify the Village and CPAH in writing. The notice shall set forth the number of affordable units, location, square footage of units, bedroom and bathroom counts, rents, fees, designated income levels, availability date, a description of each unit, parking, storage, pet policy, other building or unit amenities, and any available photos. CPAH will post information about the affordable units on its website and send a notification and a full application to anyone on the IHO waitlist who might qualify for units that will be available. If requested, CPAH can also assist the Developer in reaching out to the public who are likely to be eligible households.

### **B. Inquiries about Affordable Rental Units**

Persons interested in learning more about available affordable rental units may contact the Developer's leasing staff or CPAH. Prospective tenants must apply to CPAH for a "certificate of qualification" before applying for a rental unit in order to verify that the household meets eligibility criteria and to ensure that households are taken in the proper order on the waiting list. The Developer may not lease any affordable rental unit without a valid certificate of qualification from CPAH.

### **C. Pre-Applications for the Rental Waiting list**

Persons interested in applying for a certificate of qualification and/or wanting to be added to the rental housing waitlist are directed to CPAH's website ([www.cpahousing.org](http://www.cpahousing.org)) to either submit an online pre-application or download a fillable pre-application that can be submitted by mail, email, fax or in person. CPAH can also send pre-applications to potential applicants via mail, email, or fax. Pre-applications collect self-reported information only to determine potential eligibility. Pre-applications received are logged according to the date and time received and note applicant preferences, household size, size of unit requested, income, and the Special Occupancy Category described in section L.

### **D. Screening of Rental Pre-Applications**

Rental pre-applications are the first step in determining potential eligibility for an affordable rental unit and used to determine eligibility for the rental housing waitlist. Pre-applications are shorter forms that require the submission of self-reported information only and do not collect supporting documentation. If an applicant appears to be eligible based on the self-reported information and there is an affordable rental unit available, they are then asked to complete a full rental application with supporting documentation as described in Section J. If there is not an affordable rental unit available that meets the applicant's criteria, the potentially eligible applicant is added to the waiting list. The applicant will be notified in writing whether they are deemed (1) eligible for an available unit and should submit a full application, (2) ineligible or (3) added to the waiting list. A reason will be provided if the applicant is deemed ineligible. The pre-application process is helpful so that applicants do not have to spend a significant amount of time completing a full application until a unit is actually available. It also avoids requiring applicants submit a full application initially and then requiring them to resubmit a large portion of their application and updated supporting documentation when a unit actually becomes available, since information and supporting documentation would most often be outdated.

### **E. Rental Waiting List**

The Rental Waiting List will contain the following information for each applicant listed:

- (1) Pre-applicant name
- (2) Number of persons in household
- (3) Qualified unit size (number of bedrooms household qualifies for under site occupancy standards) (NOTE: applicant may qualify for multiple unit sizes)
- (4) Number of bedrooms preferred
- (5) Date and time application received
- (6) Approximate annual income
- (7) Area Median Income category
- (8) Accessibility requirements

All Rental Pre-Applications will be maintained in order of date and time received.

## **F. Changes in Income or Household Composition**

Rental pre-applicants who are placed on the Waiting List are instructed to notify CPAH when changes occur to:

- (1) Address and/or phone number
- (2) Email address
- (3) Household size
- (4) Desired unit size or location
- (5) Income

If a rental pre-applicant's income changes to an amount which renders the pre-applicant no longer eligible for inclusion on the Rental Waiting List, written notice will be given advising the pre-applicant that (a) he or she is not presently eligible and (b) he or she could once again become eligible if their household income increases or decreases, or the number of household members changes. The rental pre-applicant will be advised to contact CPAH if there are further changes that might affect their eligibility.

## **G. Ineligible Rental Pre-Applicants**

When a rental pre-applicant, based on the self-reported information on the rental pre-application, is not eligible for any of the affordable rental units that are or will be a part of the Inclusionary Housing Program, the rental pre-applicant will not be placed on the Rental Waiting List. The ineligible pre-applicant will be notified and provided a reason for their ineligibility by regular mail and/or email. CPAH will also make every effort to refer the pre-applicant to other potential housing resources. Pre-applicants deemed ineligible may resubmit a pre-application at any time based on updated information. Their position on the waiting list will be based on the date that a new or updated pre-application was received.

## **H. Annual Rental Waiting List Update**

CPAH will update the Rental Waiting List approximately once a year by contacting each rental pre-applicant on the Rental Waiting List via email and/or regular mail and providing a form to be returned with updated contact, household size and income information. If the form is not returned, CPAH will attempt to contact the rental pre-applicant by email and/or phone. If the pre-applicant does not return the form or cannot be reached using the contact information that the pre-applicant provided, the pre-applicant will be removed from the Rental Waiting List after three attempts to contact them using three different methods (e.g., mail, email, and phone). All efforts to contact the pre-applicant will be documented.

## **I. When a Specific Unit Becomes Available and Full Rental Applications**

When CPAH is notified by the Village or the Developer or the Property Manager (PM) that rental unit(s) will become available, CPAH will contact rental pre-applicants on the Rental Waiting List in accordance with the process outlined below.

As described earlier, the Developer/PM must notify the Village and CPAH at least sixty days prior to offering any affordable unit for lease. The notice shall set forth the number of affordable units, location, square footage of units, bedroom and bathroom counts, rents, fees, designated income levels, availability date, a description of each unit, parking, storage, pet policy, other building or unit amenities, and any available photos. This information will be used to distribute information to potential applicants and for CPAH to answer questions.

CPAH will notify persons on the waiting list if they may be eligible for an upcoming available unit. Notification will be sent via email, phone, or mail in the order pre-applicants are listed on the waiting list (based on date/time the pre-application was received). This process will continue until all affordable units are leased.

If a notified pre-applicant is interested in applying for a specific available rental unit, the head of household will be required to submit a full rental application including detailed income and asset documentation for CPAH to determine eligibility.

Full applications include but are not limited to:

- (1)** Complete rental application including certification of the accuracy of all information that is provided. The submission of false information will be grounds to find the applicant ineligible for the program.
- (2)** For each household member 18 and over (as applicable):
  - (a)** 2 months of most recent, consecutive paycheck stubs
  - (b)** most recent W2s
  - (c)** most recent filed tax returns
  - (d)** bank statements including checking (6 months) and savings and retirement (3 months) account statements
  - (e)** social security statements
  - (f)** business statements/spreadsheets, as needed
  - (g)** verification of cash income
  - (h)** verification of gift income (only verifiable monthly, consistent income given to the applicant will be counted as income)
  - (i)** employment verification forms
  - (j)** employment offer letter
  - (k)** housing voucher documentation



- (l) child support and/or maintenance agreement
  - (m) documentation of ABLE accounts or special needs trusts
  - (n) other necessary documentation as needed
- (3) Valid photo identification for all household members 16 and over. Acceptable identification may include a driver's license, passport, or state-issued photo identification card.

## J. Submitting Full Rental Applications

Full rental applications and supporting documentation may be submitted via CPAH's encrypted email platform (free and available on CPAH's website), fax, mail, or can be submitted in person at the CPAH office in Libertyville or dropped off at CPAH's drop box in Highland Park. Full instructions for submission are on the application. CPAH makes accommodations for persons with disabilities who, as a result of their disability, cannot submit their application via the above application process.

CPAH will contact the applicant if an application is determined to be incomplete or if additional clarification is necessary. An application is deemed complete only when CPAH has determined that all the necessary information and clarification has been provided. Once an application is deemed complete, CPAH will determine eligibility for specific affordable housing units that are available.

## K. IHO Eligibility Determination for Specific Available Units

The following information will be used by CPAH to determine eligibility for specific available units.

### (1) Income

To be eligible for a specific rental unit, the annual gross household income of the applicant(s) must be less than the relevant income limit as established by the U.S. Department of Housing and Urban Development (HUD) for the appropriate household size, as updated annually. The annual gross household income limits are based on the Chicago-Naperville-Elgin, IL Area Median Income (AMI) as determined by HUD. Income eligibility verifications are valid for 90 days. Updated income documentation and verification of eligibility will be required if it is over 90 days old at the time of lease up.

### (2) Rental Housing Payment Ratio

The applicant's housing ratio (total rent plus utilities payment / total monthly household income) cannot exceed 35%.



**(3) Assets**

Non-retirement household assets must be equal to or less than 100% of AMI for the household size. Retirement restricted assets are not subject to a limit.

**(4) Primary Residence**

The applicant must use the affordable housing unit as their principal residence. An affidavit that the affordable unit will be tenant's primary residence is required. (Co-signers are not permitted.)

**(5) Occupancy Standards**

The household size must comply with federal, state and local occupancy standards and/or laws including municipal occupancy requirements, fair housing and civil rights laws, as well as landlord-tenant laws and zoning restrictions.

**L. Special Occupancy Category**

A rental applicant with disabilities as defined by HUD will be given priority for an accessible unit. If the household determines that the accessible unit is not appropriate for the household's needs, the household's name will be returned to its place on the Rental Waiting List, as applicable.

**M. Occupancy Guidelines**

Affordable units should not be underutilized, to the extent possible. Preference is given to households that have household sizes equal to at least one more than the number of bedrooms (e.g., 2 person household for a one bedroom unit, 3 person household for a two bedroom unit, etc.). Maximum occupancy will be limited to federal, state and local occupancy guidelines and limits.

**N. Rental Applicants Determined to be Eligible for A Specific Unit**

If an applicant is determined to be eligible for a specific affordable unit, CPAH will issue a Certificate of Qualification that will be sent via email to the applicant and Developer/PM. The certificate indicates that the applicant is qualified to lease the unit in accordance with the IHO. The Developer/PM will then conduct their own application and screening process and determine whether to offer the applicant a lease. The Developer/PM may require a credit check, background check, or any other legal screening process as long as the same process applies to both market rate units and affordable units (e.g., the PM may not conduct a background check for affordable units but not market rate units). At the applicant's written request, CPAH will provide copies of the supporting documentation to the Developer/PM. The Developer/PM will notify the applicant and CPAH whether the applicant was approved.

**The Developer/PM may not lease any affordable rental unit without a valid certificate of qualification from CPAH.**

## O. Rental Applicants Determined to be Ineligible for Specific Unit

If CPAH determines that an applicant is ineligible for a specific affordable unit due to the rules and requirements of the inclusionary housing ordinance, CPAH will notify the applicant in writing and include the reason(s) for ineligibility. If the applicant is rejected for a specific unit but may qualify for a different unit in the future, the applicant will remain in the same spot on the Waiting List. The rejection notice will advise the applicant that they may, within 7 business days of the date of the notice, submit a written appeal with supporting documentation. The most common reasons for being deemed ineligible are as follows:

**(1) Insufficient/Inaccurate Information on Application**

Incomplete applications, lack of response in a timely manner, or supplying false information are common reasons for denial

**(2) Exceeding Income or Asset Limits**

Applications are denied if the total gross household income exceeds the relevant income limit for the specific unit available or if the total gross household assets exceed 100% of the AMI for the household size

**(3) Household Size**

Households will be rejected if the number of persons in the households exceeds what is allowed by federal, state, or local occupancy codes

**(4) Principal Residence**

Applications are denied if the applicant does not plan to use the affordable housing units as their principal residence

## P. Review of Appeals

CPAH will consider extenuating circumstances when reviewing an appeal, but all applicants must meet the established eligibility criteria. All income calculations are done in accordance with the HUD Part 5 income definition. CPAH will issue a final written determination within 5 days of receiving the appeal. If applicant disagrees with CPAH's written determination, applicant may appeal to the President of CPAH who will issue a determination within 5 days of receiving the appeal. If at any stage of the appeals process it is determined that the applicant is eligible, a Certificate of Qualification will be issued, and the applicant will be offered the next vacant unit in their income tier. If the applicant is still deemed ineligible and the applicant disagrees with the final determination, the applicant can file a complaint with the Director of Development and Planning Services for the Village of Northbrook.

## **Q. Annual Income Recertification Procedures for Tenants**

Tenant household income will be recertified annually as part of the lease renewal process in order to maintain compliance with the IHO. Increases in household income or changes in household size may affect eligibility. Decreases in household income will not affect eligibility. Separate from the recertification process, Developers/PM may choose not to renew a lease for any reason allowed by law.

### **(1) Income Recertification Process**

Annual income recertification for Northbrook inclusionary units will commence 90 days before a tenant's lease is set to expire. CPAH will provide tenants a short form asking for basic information about household members (outlined below) as well as a list of required supporting documents. Tenants will be expected to respond to the request for information and documentation within 15 days of receiving the request in order to give CPAH staff sufficient time to recertify the tenant and for the Developer/PM to renew the lease.

The following documentation will be required at the time of annual income recertification (as applicable):

- (a)** 2 months of most recent, consecutive paycheck stubs
- (b)** most recent W2s
- (c)** most recent filed tax returns
- (d)** checking (6 months) and savings and retirement (3 months) account statements
- (e)** social security statements
- (f)** business statements/spreadsheets, as needed
- (g)** verification of cash income
- (h)** employment offer letter
- (i)** child support and/or maintenance agreement

Employer verification forms are not required for income recertification. Housing ratios are not part of the income recertification process. Tenants will be required to sign a statement indicating that the representations and income verification provided are true. Misrepresenting income or household information will be grounds for program ineligibility.

### **(2) Procedures When Household Income or Size of Household Changes**

- (a) When household income remains in the same or lower AMI bracket (for the tenant's household size) as when the household was originally qualified, then the household maintains its income qualification for the affordable unit. For example, if a tenant household was originally qualified for a unit that was below 80% of AMI, and the household income increases to above the 80% AMI limit but is below the 100% AMI limit, then the household maintains its income qualification.
- (b) When household income increases more than one AMI bracket from the original lease up AMI category, then the tenant household will be notified that the lease may be renewed with a rent adjustment set at 30% of the tenant's gross household income. For example, if a household originally qualified as below 50% of AMI, but now has household income between 81% of AMI to 100% of AMI, then the rent associated with that tenant and lease will be set at 30% of the tenant's gross household income. Similarly, if a tenant's initial lease up income category was 81% of AMI to 100% of AMI and their household income increases above 100% AMI at lease renewal, the lease may be renewed with a rent adjustment reflecting 30% of the tenant's gross household income.

**(3) Appeal of Recertification Determination**

Tenants may appeal the recertification determination by submitting a written appeal to CPAH within 5 business days of the date of the income recertification determination. CPAH will consider extenuating circumstances when reviewing an appeal, but all applicants must meet the established eligibility criteria. All income calculations are done in accordance with the HUD Part 5 income definition. CPAH will issue a final written determination within 5 days of receiving the appeal. If applicant disagrees with CPAH's written determination, applicant may appeal to the President of CPAH who will issue a determination within 5 days of receiving the appeal. If at any stage of the appeals process it is determined that the applicant is eligible to be re-certified for their affordable unit, the applicant will be so notified. If the applicant is still deemed ineligible and disagrees with the determination, the applicant can file a complaint with the Director of Development and Planning Services for the Village of Northbrook.

**(4) Recertification**

When a tenant is recertified, CPAH will notify the tenant and the Developer/PM in writing and note any changes in rent. The Developer/PM cannot renew a lease until receiving notice of recertification from CPAH. Being income recertified is not a guarantee that a lease will be renewed. The Developer/PM will make all decisions about lease renewals.

**(5) Vacancies**

If a unit becomes vacant, CPAH will follow the same procedures above to certify the next eligible applicant on the waiting list.

## **IV. Inclusionary Affordable Owner Occupied Units in Governed Developments**

### **A. Marketing of Affordable Owner Occupied Units**

- (1) Developers are responsible for good faith marketing of the affordable housing units to members of the public who are likely to be eligible households qualified to purchase the affordable owner occupied units. CPAH can assist the Developer in marketing the affordable housing units.
- (2) As soon as possible but no fewer than sixty days prior to offering any affordable unit for sale, the Developer must notify the Village and CPAH in writing. The notice shall set forth the number of affordable units, location, square footage of units, bedroom and bathroom counts, price, HOA fees, designated income levels, availability date, a description of each unit, parking, storage, pet policy, other building or unit amenities, and any available photos. CPAH will post information about the affordable units on its website and notify anyone on the IHO waitlist who might qualify for units that will be available. If requested, CPAH can also assist the Developer in reaching out to the public who are likely to be eligible households.

### **B. Inquiries about Affordable Owner Occupied Units**

Persons interested in learning more about available affordable owner occupied units may contact the Developer or sales agent or CPAH. Prospective buyers must apply to CPAH for a “certificate of qualification” before purchasing a unit in order to verify that the household meets eligibility criteria. The Developer may not sell any affordable owner occupied unit without a valid certificate of qualification from CPAH.

### **C. Application Process for Owner Occupied Affordable Units**

Persons interested in applying for owner occupied affordable units will be required to attend a CPAH information session which educates prospective home buyers of affordable units about the program’s eligibility requirements, resale restrictions, application process and other information related to purchasing an inclusionary housing unit. Interested homebuyers may register for the class on CPAH’s website or by calling CPAH’s office. Developer and the Village can also direct interested parties to CPAH’s website for further information ([www.cpahousing.org](http://www.cpahousing.org)).

### **D. Ownership Applications**

Once a potential applicant has attended an information session, the Village or CPAH will provide an application form. The application will also be distributed at or before CPAH information sessions. Applications are not available online because of the importance of applicants understanding how the program works including that each

unit is permanently affordable, subject to resale restrictions and a maximum resale price, and other program requirements. CPAH explains the application process in detail at the information session and CPAH staff are available to answer any questions throughout the application process.

## **E. Owner Occupied Unit Applications**

All applicants for owner occupied affordable units are required to submit full applications that include but are not limited to:

- (1) A complete application including certification of the accuracy of all information that is provided. The submission of false information will be grounds to find the applicant ineligible for the program.
- (2) For each adult (18 and over) household member (as applicable):
  - (a) 2 months of most recent, consecutive paycheck stubs
  - (b) most recent W2s
  - (c) most recent filed tax returns
  - (d) bank statements including checking (6 months) and savings and retirement (3 months) account statements
  - (e) social security statements
  - (f) business statements/spreadsheets, as needed
  - (g) verification of cash income
  - (h) verification of gift income (only verifiable monthly, consistent income given to the applicant will be counted as income. Gifts toward down payment and/or closing costs are limited to \$10,000)
  - (i) employment verification forms
  - (j) employment offer letter
  - (k) child support and/or maintenance agreement
  - (l) documentation of ABLE accounts or special needs trusts
  - (m) other necessary documentation as needed
- (3) Valid photo identification for all household members 16 and over. Acceptable identification may include a driver's license, passport, or state-issued photo identification card.

## **F. Submitting Full Applications for Owner Occupied Units**

Full applications for owner occupied units and supporting documentation may be submitted via CPAH's encrypted email platform (free and available on CPAH's website), fax, mail, or can be submitted in person at the CPAH office in Libertyville or dropped off at CPAH's drop box in Highland Park. Full instructions for submission are on the application. CPAH makes accommodations for persons with disabilities who, as a result of their disability, cannot submit their application via the above application process.

CPAH will contact the applicant if an application is determined to be incomplete or if additional clarification is necessary. An application is deemed complete only when CPAH has determined that all the necessary information and clarification has been provided. Once an application is deemed complete, CPAH will determine eligibility for specific affordable housing units that are available.

## **G. IHO Eligibility Determination for Specific Available Units**

The following information will be used to determine eligibility for specific available units.

### **(1) Income**

To be eligible for a specific owner occupied unit, the annual gross household income of the applicant(s) must be less than the relevant income limit as established by the U.S. Department of Housing and Urban Development (HUD) for the appropriate household size, as updated annually. (Gross household income includes income of all household members 18 and over unless they are a full-time student. The annual gross household income is based on the Chicago-Naperville-Elgin, IL Area Median Income (AMI) as determined by HUD.) Income eligibility verifications are valid for 90 days. Updated income documentation and verification of eligibility will be required if it is over 90 days old at the time of sale.

### **(2) Owner Occupied Housing Payment and Debt -to-Income Ratios**

The applicant's proposed monthly housing payment, or PITI (principal, interest, property taxes, and insurance, and HOA fees when applicable) payment cannot be greater than 35% of the applicant's total monthly gross household income. The applicant's proposed monthly PITI plus other monthly debt payments (i.e. car payments, student loan payments, credit card payments) cannot be greater than 43% of the applicant's total monthly gross household income.

### **(3) Assets**

Non-retirement household assets must be equal to or less than 100% of AMI for the household size. Retirement restricted assets are not subject to a limit.

### **(4) Primary Residence**

The applicant must use the affordable housing unit as their principal residence. An affidavit that the affordable unit will be tenant's primary residence is required. (Co-signers are not permitted.)

### **(5) Occupancy Standards**

The household size must comply with federal, state and local occupancy standards, and/or laws in connection with occupancy requirements, fair housing and civil rights laws, as well as zoning restrictions.

## H. Special Occupancy Category

A rental applicant with disabilities as defined by HUD will be given priority for an accessible unit. If the household determines that the accessible unit is not appropriate for the household's needs, the household's name will be returned to its place on the Owner Occupied Waiting List, as applicable.

## I. Occupancy Guidelines

Affordable units should not be underutilized, to the extent possible. Preference is given to households that have household sizes equal to at least one more than the number of bedrooms (e.g., 2 person household for a one bedroom unit, 3 person household for a two bedroom unit, etc.). Maximum occupancy will be limited to federal, state and local occupancy guidelines and limits.

## J. Eligible Ownership Applicants

If applicant is approved, CPAH will issue a conditional certificate of qualification. In addition to being approved by CPAH, all applicants must be pre-approved by a participating lender to be eligible to purchase an owner occupied affordable unit. If applicant is approved by CPAH and a participating lender, and an existing unit(s) is available for purchase that falls within the applicant's income range and price range, CPAH will refer the applicant to the Developer or sales agent. If the applicant does not purchase a unit, the applicant will be added to CPAH's Ownership Waiting List.

## K. Ineligibility For Program

The most common reasons that applicants for owner-occupied units are ineligible are as follows. This is not an exhaustive list:

**(1) Insufficient/Inaccurate Information on Application**

Refusing to cooperate fully in all aspects of the application process or supplying false information will be grounds for deeming applicant ineligible.

**(2) Household Size**

Household size does not comply with federal, state, or local occupancy codes for the specific unit available.

**(3) Principal Residence**

Unit would not be applicant's principal residence.

**(4) Co-Signers**

Co-signers for a mortgage from a participating lender are not permitted.

**(5) Financial Standing**



- (a) The annual gross household income of the applicant(s) is over the relevant income limit for specific units. The income limit is established by the U.S. Department of Housing and Urban Development (HUD) for the appropriate household size, as updated annually.
- (b) Household assets exceed the asset limit for their household size
- (c) The applicant(s) exceeds the maximum allowable housing payment (principal, interest, property taxes, insurance, and HOA fees when applicable) ratios that are currently 35% for housing payment and 43% debt to income ratio based on applicant(s) total gross household income. As noted above, ratios can be adjusted from time to time.
- (d) The applicant cannot get approved for a permissible mortgage from a participating lender. An applicant may receive a certificate of qualification from CPAH but not be able to secure a pre-qualification for a mortgage from a participating lender. In that case, the applicant will not be able to purchase an owner occupied unit until applicant is able to secure a mortgage from a participating lender. Both are needed to purchase an affordable unit under the IHO. If an applicant is able to secure a mortgage from a participating lender at a later time, updated financial information may be required by CPAH.
- (e) The applicant does not have sufficient assets to cover down payment and required 2 months reserves and closing costs. Applicants may receive up to a \$10,000 gift toward the purchase of an owner-occupied affordable unit.

#### **L. When An Applicant Is Found Ineligible for Specific Ownership Units**

##### **(1) Written Notification**

Each applicant who submits a full, complete application who is not qualified to purchase a specific unit, as outlined above, will be notified in writing by CPAH of the reason(s) they are ineligible. This notice will advise the applicant that they may, within 5 business days after receipt of the notice, submit a written appeal with supporting documentation that may change the outcome of the eligibility review. Extenuating circumstances will be considered. If applicant disagrees with CPAH's written determination, applicant may appeal to the President of CPAH who will issue a determination within 5 days of receiving the appeal. If at any stage of the appeals process it is determined that the applicant is eligible, a Certificate of Qualification will be issued, and the applicant can elect to purchase an available unit in their income tier. If the applicant is still deemed ineligible and disagrees with that determination, the applicant can file a complaint with the Director of Development and Planning Services for the Village of Northbrook.

##### **(2) Review of Rejected Ownership Applications**

If the applicant submits additional information, the applicant will be given a final written determination from CPAH. If the applicant is then eligible to purchase an

available unit, the applicant will be referred to the Developer or sales agent. If a unit is no longer available for purchase, the applicant will be added to CPAH's Ownership Applicant List.

**(3) Applicants who are Rejected for a Specific Owner-Occupied Unit**

Applicants who do not qualify for a specific unit but may qualify to purchase an owner-occupied affordable unit in the future maintain their place on the waiting list.

## **M. Ownership Waiting List Procedures**

**(1) Waiting List**

The Ownership Waiting List will contain the following information for each applicant listed:

- (a)** Applicant name
- (b)** Number of persons in household
- (c)** Household unit size (number of bedrooms household qualifies for under site occupancy standards) (NOTE: applicant may qualify for multiple unit sizes)
- (d)** Number of bedrooms preferred
- (e)** Date and time application received
- (f)** Approximate annual income
- (g)** Mortgage pre-qualification amount
- (h)** Area Median Income category
- (i)** Accessibility requirements

All applications will be maintained in order of date and time received.

**(2) Changes in Income or Household Composition**

Applicants who are placed on the Ownership Waiting List will be requested to notify CPAH when changes occur to:

- (a)** Address and/or phone number
- (b)** Email address
- (c)** Household composition
- (d)** Income

If an applicant's income changes to an amount which renders the applicant no longer eligible for inclusion as a qualified applicant on the Ownership Waiting List, written notice will be given advising the applicant that: (a) he or she is not presently eligible; (b) the applicant could once again be eligible if household income increases or decreases, or the number of household members changes. The applicant will be advised to contact CPAH if there are further changes that might affect the applicant's eligibility.

## **N. Resale Of Affordable Owner-Occupied Units**

### **(1) When an owner of an owner-occupied affordable unit intends to sell their home**

- (a)** Homeowner will notify the Village or CPAH in writing of their intent to sell
- (b)** CPAH will order an appraisal of the home in accordance with the resale procedures set out in the affordable housing covenant
- (c)** In accordance with the resale formula set out in the affordable housing covenant, CPAH will determine the maximum resale price that the seller can receive for their home
- (d)** The maximum resale price is an upper limit that the homeowner can receive for the sale. That maximum price is not guaranteed and may be affected by market conditions and characteristics and conditions of the specific unit for sale

### **(2) The Village First Option to Purchase**

The Village will have the first right and option to purchase, at the maximum resale price or mutually agreed upon price, the unit from the homeowner. The Village is under no obligation to exercise that option.

### **(3) If the Village Does Not Exercise its Option**

- (a)** If the Village does not exercise its option to purchase, the homeowner will sell the unit to an eligible, qualified household. The transaction will incorporate all restrictions and documentation as required by the IHO. All restrictions and program rules including eligibility and qualification processes and requirements are applicable to the transaction and to the new buyer.
- (b)** New buyers will be required to follow the same processes as the initial buyer including but not limited to attending a CPAH information session, providing the required application and supporting documentation, and after being deemed eligible and qualified to purchase the unit by CPAH, receiving a “certificate of qualification” from CPAH or the Village. Applicant will also be required to obtain a mortgage loan from a participating lender.
- (c)** All purchasers, whether initial or subsequent purchaser, of affordable owner-occupied units will be subject to the same or similar affordable covenant and the incorporated resale restrictions and other program rules. Purchasers accept all restrictions including but not limited to the Village’s First Option to Purchase, and the restriction that the affordable housing unit shall be permanently affordable for eligible purchasers.

#### **(4) Maximum Re-Sale Price**

- (a)** The maximum re-sale price is the most that an owner of an affordable owner-occupied unit can receive for the sale of the owner-occupied affordable home.
- (b)** The price is determined by a formula incorporated into the seller's affordable housing covenant. A sample resale formula is attached as Addendum A.
- (c)** The formula uses the initial market appraised value, current market appraised value, the initial purchase price, the initial investment ratio, and a shared appreciation factor of 15% to determine the maximum re-sale price. Other factors such as improvement credits are included in the affordable housing covenant and can affect maximum re-sale price.
- (d)** While seller cannot receive more than the maximum re-sale price, the seller can accept less than the maximum re-sale price.
- (e)** The Village or CPAH may add a fee to cover their costs of managing the resale.

## **V. Civil Rights and Nondiscrimination Requirements**

### **A. General**

Federal civil rights laws addressing fair housing prohibit discrimination against applicants or tenants on the basis of race, color, national origin, sex, age, disability, religion, and familial status. The Illinois Human Rights Act also prohibits discrimination against applicants or tenants on the basis of race, color, religion, sex, national origin, ancestry, age, order of protection status, marital status, physical or mental disability, military status, sexual orientation, or unfavorable discharge from military service.

The remaining paragraphs in this section provide brief descriptions of key federal civil rights laws regarding fair housing and accessibility. The Developer/Owner shall be familiar with and comply with all applicable federal civil rights laws and any state civil rights laws or local ordinance regarding fair housing and accessibility.

### **B. Fair Housing Act**

The Fair Housing Act Amendments of 1988 ("Fair Housing Act") prohibits discrimination in housing on the basis of race, color, religion, sex, disability, familial status and national origin regardless of any federal financial assistance.

Under the Fair Housing Act, the Developer/Owner shall not take any of the actions listed below based on race, color, religion, sex, disability, familial status and national origin:

- (1) Provide anyone housing that is different from that provided to others
- (2) Subject anyone to segregation, even if by floor or wing
- (3) Restrict anyone's access to any benefit enjoyed by others in connection with the Development
- (4) Treat anyone differently in determining eligibility or other requirements for admission, in use of the housing amenities, facilities or programs, or in the terms and conditions of a lease
- (5) Deny anyone access to the same level of services
- (6) Deny anyone the opportunity to participate in a planning or advisory group that is an integral part of the housing program
- (7) Publish or cause to be published an advertisement or notice indicating the availability of housing that prefers or excludes persons
- (8) Retaliate against, threaten, or act in any manner to intimidate someone because he or she has exercised rights under the Fair Housing Act.

The Fair Housing Act provides additional protections for persons with disabilities. It requires that the Developer/Owner make reasonable accommodations in rules, policies, practices, or services as may be necessary to afford disabled persons equal opportunity to use and enjoy a dwelling. Moreover, it contains specific accessibility requirements that apply to the design and construction of new multi-household housing.

The Developer/Owner shall display the Fair Housing poster as required by the Fair Housing Act.

### **C. Title VI of the Civil Rights Act of 1964**

Title VI of the Civil Rights Act of 1964 prohibits all recipients of federal financial assistance from discriminating based on race, color or national origin.

### **D. Age Discrimination Act of 1975**

The Age Discrimination Act of 1975 (the "Age Discrimination Act") prohibits discrimination based upon age in federally assisted and funded program, except in limited circumstances. It is not a violation of the Age Discrimination Act to use age as screening criteria in a particular program if age distinctions are permitted by statute for that program or if age distinctions are a factor necessary for the normal operation of the program or the achievement of a statutory objective of the program or activity.

### **E. Section 504 of the Rehabilitation Act of 1973**

Section 504 of the Rehabilitation Act of 1973 ("Section 504") prohibits discrimination based upon disability in all programs or activities operated by recipients of federal financial assistance. Although Section 504 often overlaps with the disability

discrimination prohibitions of the Fair Housing Act, it differs in that it also imposes broader affirmative obligations on the Owner to make their programs as a whole, accessible to persons with disabilities. Section 504 obligations include the following:

- (1) Making and paying for reasonable structural modifications to units and/or common areas that are needed by applicants and tenants with disabilities, unless these modifications would change the fundamental nature of the project or result in undue financial and administrative burdens
- (2) Operating housing that is not segregated based upon disability or type of disability, unless authorized by federal statute or executive order
- (3) Providing auxiliary aids and services necessary for effective communication with persons with disabilities
- (4) Performing a self-evaluation of management's programs and policies to ensure that they do not discriminate based on disability
- (5) Developing a transition plan to ensure that structural changes are properly implemented to meet program accessibility requirements.

Section 504 also establishes accessibility requirements for newly constructed or rehabilitated housing, including providing a minimum percentage of accessible units. If the Development employs 15 or more persons, regardless of their location or duties, a Section 504 Coordinator must be designated.

#### **F. Executive Order 13166 – Limited English Proficiency**

Executive Order 13166 requires the Developer/Owner to take reasonable steps to ensure meaningful access to the information and services they provide for persons with limited English proficiency. This may include interpreter services and/or written materials translated into other languages.

## Appendix 1 – Sample Resale Formula

### **Initial Purchase**

Initial Appraised Value	\$375,000
Minus purchase price reduction	<u>\$175,000</u>
Equals Homebuyer's Purchase Price	\$200,000

<sup>1</sup> Homeowner's Initial Investment Ratio ( $\$200,000 / \$375,000$ ) 53%

### **Resale – 10 years later**

Current Appraised Value	\$450,000
Minus Initial Appraised Value	<u>\$375,000</u>
Equals Market Value Appreciation	\$75,000

Multiplied by Homeowner's Investment Ratio: 53%

Equals \$39,750

This is the share of appreciation attributable to the owner's investment.

<sup>2</sup> Multiplied by shared appreciation factor 15%

Equals \$5,963

This is the owner's share of Market Value Appreciation (MVA)

Resale Price Equals:

Owner's Initial Purchase Price	\$200,000
Plus Owner's share of MVA	\$5,963
<sup>3</sup> Plus Improvements credit, if any	\$3,600
<sup>4</sup> Equals Resale Formula Price	\$209,563

[1] Homeowner's Initial Investment Ratio is the Purchase Price divided by the Initial Appraised Value.

[2] The shared appreciation factor is established to ensure a fair return to the owner while ensuring the home remains permanently affordable for future buyers. CPAH researched other comparable programs formulas and calculated potential resales in the community to determine an appropriate percentage.

[3] Calculation of Structural and Mechanical Improvements Credit: Assume that homeowner added a new roof in year 4 of ownership at an approved cost of \$6,000. At 15-year straight line depreciation (subtract \$400 each year), the value of the credit after year 10 is \$3,600.

[4] At the time of resale, the Homeowner would have a mortgage balance of approximately \$150,000. Therefore, upon resale ten years later in this example, the Homeowner would walk away with approximately \$59,563 (\$209,563 less \$150,000 mortgage remaining).