



**City of Alameda
Inclusionary Housing Homeownership Guidelines**

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SECTION 1 - INTRODUCTION TO THE BMR PROGRAM

1.1 Program Summary

The City of Alameda (“**City**”) funds and oversees the Inclusionary Housing Program, often referred to as the Below Market Rate (“**BMR**”) Program. In July 2023, the City of Alameda selected Rise Housing Solutions (“**Program Administrator**”) to administer its BMR Program. This manual describes the program guidelines and processing procedures for the BMR program. It also establishes the roles and responsibilities of Program Administrator, the City, the Developers of new residential projects (“**Developer**”), the Applicants and the first mortgage lenders. Finally, it describes the qualifications and requirements of prospective BMR homebuyers. The City shall review and update these guidelines from time to time to reflect changes in the market and better meet the community’s needs. Program users should be aware that under certain circumstances information provided in connection with the BMR Program may be considered to be public records and subject to disclosure in accordance with the California Public Records Act. However, the City and/or Program Administrator does not give, share, sell or transfer any personal identifying information to any third party that is not affiliated with an application for housing. These guidelines shall be updated from time to time and are subject to final interpretation by the City.

1.2 BMR Sales Process Overview

The City of Alameda Inclusionary Housing Program provides below market rate (BMR) homes for sale at affordable cost to qualified purchasers. Developers of new residential projects are required to provide BMR homes concurrently with market rate homes in order to fulfill the developer’s inclusionary housing obligation. BMR units will be made available to very low-, low- and moderate-income households. For for-sale BMR homes, it is the developer’s responsibility to select buyers who meet the qualification parameters of the Inclusionary Housing Program and to submit an application for each buyer to the City of Alameda, showing both that the buyer’s income falls within the allowable range for the program, that the buyer’s total monthly housing costs meet program requirements and that the applicant may not have owned a home within the past three years from the date of application. The City of Alameda makes the final determination as to whether the submitted applicant is a qualified purchaser. The Inclusionary Housing Program may be subject to administrative review and revision periodically in response to updated information.

A. Pre-Application, Marketing and Lottery Period

The following section describes the activities that will be performed during the pre-application, marketing, and lottery period. Where the responsibilities are designated as the Developer’s, the Developer may hire a Program Administrator, approved by the City to perform these activities.

The Developer shall:

1. Prepare and submit a marketing plan to the City of Alameda
2. Create a pre-application process timeline with a minimum 3-week pre-application and marketing period.
3. Create and disseminate marketing materials in multiple languages advertising the housing opportunity. Marketing collateral and publications subject to City approval.

4. The pre-application will determine program and preference point eligibility based on stated information from the applicant(s)
5. Upon conclusion of the pre-application period prepare all eligible pre-applications to be entered in a lottery drawing to establish a ranking position within each preference point category. Prior to conducting the lottery, Developer to provide an unranked list of all applicants to the City.
6. Lottery results will be emailed to all applicant households. Developer to provide spreadsheet of lottery ranking to City.

The City shall:

The City shall prepare the sales prices for the very low-, low- and moderate-income units, using the housing cost definitions found in California Health & Safety Code Section 50052.5 and listed below:

For extremely low-income households the product of 30 percent times 30 percent of the area median income adjusted for family size appropriate for the unit. (Section 50052.5(b)(1))

For very low-income households the product of 30 percent times 50 percent of the area median income adjusted for family size appropriate for the unit. (Section 50052.5(b)(2))

For lower income households whose gross incomes exceed the maximum income for very low-income households and do not exceed 70 percent of the area median income adjusted for family size, the product of 30 percent times 70 percent of the area median income adjusted for family size appropriate for the unit. (Section 50052.5(b)(3))

For moderate-income households, affordable housing cost shall not be less than 28 percent of the gross income of the household, nor exceed the product of 35 percent times 110 percent of area median income adjusted for family size appropriate for the unit, but shall not exceed 30% of 120 percent of the area median income. (Section 50052.5(b)(4))

If the sales prices calculated based on California Health & Safety Code Section 50052.5 are greater than the sales prices permitted by the Alameda Municipal Code, then the price established by the Alameda Municipal Code shall be offered.

Housing costs include, but are not limited to:

- Principal and interest on all loans (see attached Affordable Housing Program Loan Guidelines)
- Property taxes, including special assessments
- Insurance
- Utilities, not including telephone (City will provide utility allowance information.)
- Maintenance & repairs
- Homeowner association and special fees
- Approximate cost to purchase solar
- Space rent, if any
- Any required costs to the buyer as a part of their sales contract (This does not include buyer selected upgrades.)

B. Application Period

Affordable Monthly Housing Cost Verification: Developers must determine that buyers will pay an “affordable monthly housing cost” for the unit. The definition of affordable monthly housing cost varies by income level and by whether the unit is in a redevelopment area. In general, the affordable monthly housing cost is defined as a percentage of area median income adjusted for family size appropriate for the unit. The “family size appropriate for the unit” is a benchmark standard used only for affordable housing cost calculation purposes. The benchmark is defined as number of bedrooms plus one (e.g., a three-person household for a two-bedroom unit).

Selection Process: The City of Alameda encourages developers to use a lottery to select buyers for the BMR units. Developers are responsible for responding to all inquiries regarding BMR units and must adequately train staff to respond to questions that arise. The buyer selection process, including preference points, and all marketing and outreach materials must be approved by the City of Alameda prior to implementation. Adequate time should be allowed for City review and approval. If the Developer determines that an applicant does not meet the qualification criteria to purchase a BMR unit, the Developer should notify the applicant of this determination in writing, explaining why the applicant does not qualify. Developers should have a written appeals process for applicants who are disqualified from the program.

To summarize, the Developer shall:

1. Market and advertise the available homes, application process and key details of the housing opportunity.
2. Provide applications to participants and set deadline.
3. Review applications in lottery order and request additional documents as needed.
4. Complete eligibility review and provide files to City to confirm eligibility determination to City.

City Determination: For each BMR unit, the City of Alameda makes the final determination as to whether the submitted applicant is a qualified purchaser. Developers should not enter into a purchase agreement with an applicant until the following criteria are satisfied:

- The City has approved the applicant as income qualified to purchase the unit.
- The applicant has received full underwriting approval for all financing needed to complete the purchase. Financing must conform to Section 4 – General First Loan Requirements.
- The Developer has determined that the applicant’s monthly housing costs fit within the parameters of the program (taking into account the loan obtained and downpayment required).
- The applicant has demonstrated sufficient funds to close.

If the City determines that the applicant is not a qualified purchaser, the applicant may file an appeal to the City in writing with the City Clerk not later than ten days from the date of this decision. The appeal should state completely and in detail the factual and legal grounds for the appeal. The City will consider the appeal at a public hearing within sixty days after the filing of the appeal. The decision of the City is final. The City shall review files submitted by the Developer for conditional approval, decline or re-ranking.

C. Purchase Contracts and Close of Escrow

The Developer shall:

1. Coordinate to get conditionally approved buyers into contract.
2. Conduct meetings with buyers to ensure understanding of documents and coordinate documents signing with buyers and City.
3. Communicate with Escrow Officer to ensure delivery of City documents.
4. Collect necessary documents from lender and escrow officer to ensure eligibility prior to close of escrow.
5. Post-closing, collect conformed copies of all City and lender documents and provide them to the City.

SECTION 2 – APPLICANT ELIGIBILITY REQUIREMENTS

BMR units are to be sold to households of appropriate size for the unit. Households must have at least as many members as the number of bedrooms; a preference point will be applied for bedroom count plus one. The household may include:

- All people over the age of 18 who will reside in the home as their primary residence. (Income from these people will be counted in determining gross family income, as stated above.)
- All children for whom an adult household member has full or partial custody, as long as the child in a partial custody situation lives at least part-time in the home.

Any child or adult claimed as a dependent who lives in the home. In order to apply for the City of Alameda BMR Program, Applicant must meet the following requirements:

A. Household Size Compatibility

The minimum household size is one person per bedroom. The following individuals are **not** counted as part of the household:

- foster children
- unborn children
- children who are subject to a shared custody agreement in which the child resides with the household less than 50% of the time
- children being pursued for legal custody or adoption who are not yet living with the household at time of application
- non-related, live-in care takers

Applicant household requests for reasonable accommodations should be submitted to the Developer or Program Administrator.

B. First-Time Homebuyer Requirements

No member of the applicant household may have owned any interest in a residential unit during the three-year period preceding the date of the BMR Program Pre-Application or Application, whichever comes first. The period shall be counted backwards from the BMR Program Pre-Application or Application submittal date, whichever is earlier. An Applicant shall be deemed to have owned an interest in a residential unit regardless of whether or not that interest resulted in a financial gain, is in another state or country, or if the Applicant has ever used the property as a primary residence. Notwithstanding the foregoing, the following

interests shall not, by themselves, disqualify an Applicant from being considered a first-time homebuyer:

- (1) ownership of timeshares
- (2) loan cosigners from previous real estate transactions where the Applicant was not on title
- (3) appearing on title solely in the capacity as a trustee for a trust where the Applicant has no beneficiary interest
- (4) being a named beneficiary of a trust that includes a housing unit amongst the trust assets, but only if the trustor is living at the time and in the residence
- (5) ownership of shares in a limited equity co-op
- (6) an adult who has not worked full-time in the labor force for a number of years but during such years worked primarily to care for the home and family and is currently experiencing difficulty obtaining or upgrading employment
- (7) a single parent who owned a home with their Spouse and is now divorced or legally separated and is pregnant or has at least 50% custody of one or more minor children

The Program Administrator may verify first-time homebuyer status by: (a) reviewing mortgage deductions on the three most recent years of federal tax returns for each Applicant; (b) relying on a signed statement by an applicant stating his/her/their homeownership status; (c) a title search; and/or (d) any other means reasonable to determine First-time Homebuyer status.

C. Non-Student Household Requirement

100% student Households are ineligible for BMR Ownership Units. A full-time student is defined as a person who attends an educational institution with regular facilities including enrollment in on-line classes, other than a correspondence or night school, during at least five months of the calendar year during the BMR application and eligibility review. Certain exceptions apply and student Households should note the exceptions carefully.

Households with full-time students may be BMR-eligible if one or more of the following applies:

- The Household consists of a single parent and his or her minor children, and neither the parent nor children are dependents of a third party.
- At least one member of the Household receives assistance under Title IV of the Social Security Act such as AFDC, TANF, CalWORKs, etc. (SSA or SSI do not qualify).
- At least one member is enrolled in a job training program receiving assistance under the federal Workforce Innovation and Opportunity Act, or similar federal, state, or local laws.
- The Household consists of a member who recently exited the Foster Care system who is no older than 24 years old.
- The Household consists of one or more United States Veterans.

D. Income Limits

The BMR program will use the income limits updated annually by the State of California Department of Housing and Community Development (HCD). Income limits for each housing opportunity will be posted in marketing collateral and on online application website.

E. Income Calculation

1. **Determining Baseline Household Income:** Household Income maximums are based on “gross” income derived from all sources as detailed in Internal Revenue Code (26 USC Section 6.1), whether or not exempt from federal income tax. Such income includes, but is not limited to, the following:
 - a. The full amount (before any payroll deductions) of all wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services
 - b. The full, gross amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipt including a lump sum payment for the delayed start of a periodic payment; include amounts received by adults on behalf of minors, or by minors intended for their own support
 - c. Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation, and severance pay
 - d. Welfare assistance (excluding food stamps)
 - e. Alimony/maintenance and child support payments
 - f. All regular pay, special pay, and allowances of a member of the Armed Forces
 - g. The income, salaries, and other amounts derived from operation of a business or profession
 - h. Income from assets
 - i. Income from an interest in an estate or trust
 - j. Interest; dividends; Capital Gains; Rents, Royalties
 - k. Lottery/gambling winnings paid in periodic or lump sum payments
 - l. Allowances for housing, auto, food, etc.
 - m. Recurring contributions or gifts regularly received from organization or from persons not residing in the dwelling

The following sources of income shall be excluded from the total household income:

- a. Income from the employment of any Household members under the age of 18 unless such Household member is an Applicant on the loan
- b. Payments received from the care of foster children or adults, or adoption assistance
- c. Lump sum additions to family assets (e.g., inheritances, capital gains, insurance policy, death benefit payment, stock options payout) (See Asset Inclusions in Section E.1)
- d. Medical expense reimbursement received specifically for the medical expense of a household member
- e. Income of a live-in aide

- f. All forms of student financial assistance paid directly to a student, educational institution, or a veteran
- g. City of Alameda Guaranteed Income payments
- h. Income from full-time students who are Dependents.

2. Income Calculations: The Program projects future income based on the Gross Income shown on each Applicant's income documentation and as verified during the underwriting process. Program Administrator must review income documentation for all household members 18 years and older, regardless of dependency status. Earned income from the employment of any household members under the age of 18 is not counted. However, unearned income (e.g., child support, social security, and other benefits paid on behalf of a minor) is included.

The following two methods are used by the City of Alameda to calculate household income. The City of Alameda will use the greater of:

- Current total annual income from all sources projected 12 months forward;
or
- Total Gross Annual Income from all sources earned in the immediate past tax year and projected 12 months forward

Income sources for all household members 18 years or older will be reviewed based on the following methodology:

Employment Income

Annual employment income must be determined for each job currently held.

Overtime, Tips and Bonuses

When calculating income based on paystubs, overtime, tips, and commission will be annualized. Bonuses will be annualized unless the Applicant can provide documentation from the employer that the bonus was a one-time occurrence. In this case, the bonus amount will be removed from the annualization of the income and added in one time to the total annual income that is determined.

Tips that are received in cash will require a year-to-date profit and loss statement.

Seasonal Workers

The program will not annualize current income for seasonal workers who provide a Verification of Employment from their employer(s) verifying that the work does not occur year-round. The income calculation for employment income will be used to determine annual seasonal income, while discounting the amount for off season time. Applicants who are seasonal workers must include documentation of any unemployment he/she/they have received or may receive during the off season. The annual unemployment compensation will be included in Household Income.

Child Support

Income from child support may be excluded with evidence that the child support is scheduled to be terminated within 3 months of the date of application. Alimony/maintenance and child support payments will not be deducted from the household income.

Wage Reductions

For the applicants whose income from employment has declined in the twelve (12) months prior to submitting an application or during the application process, income will be calculated at the pre-decline rate.

In addition to the two methods described in Section E.2, the City will look at the average income for the last thirty-six (36) months and project forward. In the event of a wage reduction, the City will use the greater of the three methods.

Income from Government Income

For applicants receiving government income of any source (e.g., social security, CalWORKs, etc.), the income is derived by multiplying a regular monthly statement by 12 months or by referring to an annual award letter.

Self-employed Income

Self-employed Applicant's employment and income will be verified by obtaining from the Applicant: (a) copies of his/her/their federal income tax returns (both individual returns and in some cases, business returns) that were filed with the IRS for the past three years with all applicable schedules attached, and (b) year to date profit & loss statement.

Other Income

Any source of regular income, whether in cash or recurring deposits into a bank account prior to application may be treated as income.

In the case of an Applicant who is paid in cash for employment, the City will consider those Applicants self-employed. Please review the requirements for self-employed income.

Unemployed Applicants

Unemployed Applicants who are receiving no income at all should submit a Zero Income Affidavit as provided by Program Administrator in place of income statements. Applicants receiving unemployment benefits do not need to complete the Zero Income Affidavit as unemployment benefits are considered income. All unemployed Applicants will be required to provide a copy of their most recent EDD Award Letter during the Alameda BMR Program Application processing for Program Administrator to validate applicant's unemployment and income.

Verification of Employment

The City, its designee, or the Program Administrator may request an official Verification of Employment signed by an Applicant's employer as proof of an Applicant's income, if needed.

Requirement of a Divorced Applicant

The income of an Applicant's Spouse or Domestic Partner must be included in the Gross Annual Income for the household, unless an Applicant is legally divorced from his/her/their Spouse, or his/her/their Registered Domestic Partnership has been terminated. An Applicant must provide the Program Administrator with a copy of a court-ordered divorce decree or Notice of Termination of Domestic Partnership to be considered "legally divorced". For divorces, a petition for dissolution will not suffice. For Registered Domestic Partnerships, at least six months must have passed since the Notice of Termination of Domestic Partnership has been filed for the Registered Domestic Partner's income not to be included in the Gross Annual Income for the household.

F. Assets Requirements

- 1. Asset Inclusions:** When calculating an Applicant's assets, the assets to be counted when determining eligibility include, but are not limited, to the following: savings accounts, checking accounts, Certificates of Deposit, the total balance of any joint accounts, money market or mutual fund accounts, in trust for accounts (amount accessible), stocks or bonds, Gift Funds, cash on hand, amount used or borrowed (from a life insurance policy, IRA or retirement accounts), the amount of equity in any real estate owned, and other investments held by any occupant of the Applicant's household age 18 or older.
- 2. Assets Exclusions:** The cash surrender value of life insurance policy, the value of an IRA account, the value of retirement accounts (including but not limited to 401K and 403B accounts), the value of a special needs trust or the value of a 529 college savings may be excluded from an Applicant's assets for the evaluation of Pre- and Post-Purchase Assets.
- 3. Asset Test:** When a household has total household assets in excess of \$5,000, the greater of 10% of the total assets over \$5,000 or actual asset income will be added to the total household Gross Annual Income. The value of a retirement account such as a 401K, 457 or similar will not be counted for those Applicants under retirement age as outlined by the terms of the retirement account.
- 4. Post-Purchase Assets (Reserves):** Prior to Close of Escrow, applicants must document three (3) months of savings equal to the principal, interest, taxes, and insurance mortgage payment in any asset that is accessible.
- 5. Restrictions:** Evidence that assets have been transferred to another individual or into an unavailable asset account, or have been spent (except on unexpected emergencies, such as funeral expenses, travel costs related

to illness, repair of a vehicle, medical needs, and housing needs) to avoid use in the purchase will result in disqualification of the Applicant's application.

6. **Deposits:** Deposits or withdrawals that total five hundred dollars (\$500) individually or in aggregate in a thirty (30) day period must be sourced. Any newly opened account must be sourced. The Administrator and City reserve the right to request sourcing documents for any deposit or withdrawal.
7. **Retirement Account Withdrawals:** Withdrawal from retirement accounts towards down payment and closing costs are generally allowed with proof of liquidation. However, the Applicant shall consider all his/her/their options before using retirement accounts and consult with a tax advisor to fully understand the potential tax consequences of such withdrawal in addition to the applicable early withdrawal penalty. Any funds withdrawn from retirement accounts shall be counted towards the Assets Inclusions.

G. Eligible Household Member

1. Household Size Determination and Requirements

The minimum household size for the BMR Program is one person per bedroom. The size of the household is determined by counting together every person who intends to live in the property, regardless of age or dependency status. All spouses or Registered Domestic Partners must be included in the household, appear on the application, title and loan for the property.

All household members aged 18 and older must appear on the application, title and loan for the property with exceptions pursuant to section G.2.

In order to count household members who are under 18 years of age in the composition of the household, they must be the legal Dependent of an adult household member or an adult household member must have at least partial (50%) custody of the child/children, except in the case of emancipated minors, as claimed on the most recent federal Income tax return, or legal minor children of titleholders. When determining household size for eligibility purposes, pregnant Applicants will be considered as one household member.

Temporarily absent household members who plan to live in the property upon return must appear on the application for the property. Such household members include, but are not limited to, household members serving temporarily in the armed forces, who are temporarily institutionalized, or who are enrolled full-time at a college or university.

Divorced or separated Applicants who have joint custody of their children should include the children in their household count if they have at least 50% custody of the children. Applicants who do not have custody should not include the children in their household count.

The following individuals are **not** counted as part of the household:

- foster children;
- unborn children;
- children who are subject to a shared custody agreement in which the child resides with the household less than 50% of the time;

- children being pursued for legal custody or adoption who are not yet living with the household at time of application; and
- non-related live-in care takers.

2. Title and Loan Requirements

All adult household members must appear as an owner or co-owner on the property title and must co-sign for any purchase loan for the property, with the following exceptions:

- (1) Legal Dependents of titleholders as claimed on the two most recent federal income tax returns or legal minor children of titleholders. Spouses or Registered Domestic Partners are not considered Dependents; and
- (2) Household members younger than age 24 who are the child of a titleholder who will reside in the housing unit as their primary residence, regardless of being named as a Dependent on the federal tax form of a titleholder.
- (3) Household members aged 18 and over that do not have a credit score (proof will be required).

H. First-Time Homebuyer Education Requirement

Prior to the close of escrow, Applicants must submit verification of completion of a HUD-certified First-time Home Buyer Education course. Dependents and children of Applicants under the age of 24 are exempt from this requirement, except those that are co-borrowers for the mortgage and a co-owner on the property title.

Workshops and counseling sessions are available in multiple languages through HUD-approved counseling agencies. The City encourages applicants to enroll in a homebuyer education course in their strongest language.

I. Immigration Status

Proof of citizenship or immigration status is not required for program eligibility. However, all Applicants must qualify for First Mortgage financing from a mortgage lender and many lenders may be unable to approve Applicants without proof of legal immigration status.

J. Non-Discrimination and Privacy Requirement

All Applicant eligibility requirements contained in this manual must be applied without regard to the race, creed, color, gender, sexual orientation, religion, or national origin of the Applicant.

Lenders shall be sensitive to the privacy interests of the Applicants and should use the information received only for purposes of verifying the Applicants' eligibility for a mortgage loan.

K. Preference Points

The total number of Preference Points possible per household is two. Applicants can receive one for living or working in Alameda (but not one for each household member), and one for being an employee of the Alameda Unified School District. All preference points claimed will be verified upon full application submission.

1. Living/Working in the City of Alameda (1 point)

To qualify under this Preference Point a member of the household must work a minimum of 32 hours per week as a permanent employee at a business within the corporate city limits OR be a current resident of the City of Alameda.

2. Alameda Unified School District Employee (1 point)

To qualify under this Preference Point a member of the household must be an employee of the Alameda Unified School District.

SECTION 3 – APPLICATION AND PROCESS

Below are the steps for the purchase of a BMR Ownership Unit. The entire process takes about 5-6 months from the day the Project Administrator announces newly constructed BMR Units and about 4-5 months from the day a BMR Owner offers their home for sale. All times listed are approximate; the processing times can vary depending on many reasons including first mortgage loan approval, construction delays and additional information required to determine an applicant's eligibility.

A. Pre-Application and Lottery Process

1. Eligible Pre-Applications will be sorted by the number of Preference Points awarded.
2. Applicants will then be randomly sorted through a lottery selection process and each applicant will be given a lottery ranking number.
3. Applicants will be notified in writing of the results of the selection process within one week of the lottery being conducted.
4. Households that submit multiple eligible pre-applications and receive two lottery numbers will be relegated to the lower lottery number.

B. Full Application Review

1. Applications will be reviewed in lottery ranking order. Failure by the Applicant household to submit a complete Program Application with all required supporting documents by the application deadline may result in disqualification.
2. Additional documents may be requested from the Applicant with a deadline(s) outlined. Failure to return the additional documents by the deadline(s) will result in program disqualification due to an incomplete application.

C. Conditional Approval, Preference Point Determination, or Program Disqualification

1. After a full application review, the Program Administrator will submit a recommendation for Conditional Approval, Program Disqualification or Preference Point Determination to the City along with the complete Program Application and a summary of eligibility findings.
2. The City will issue a Conditional Approval or Disqualification letter to the Applicant.

D. Appeal Process

1. Within seven days from the date on the Disqualification letter, Applicant must submit an appeal to the Program Administrator along with documentation demonstrating the reason for the appeal.
2. The documentation will be provided to the Housing and Human Services Manager for review.
3. Within fifteen (15) business days of receipt of the appeal, a hearing officer will be assigned to review the appeal and additional documentation submitted by the Applicant.
4. Seven days from assignment to a hearing officer, a final decision will be delivered by mail to the Applicant.

During the appeal process, one appropriately sized BMR unit will be held until the process is complete and a final eligibility determination has been made.

SECTION 4 – GENERAL FIRST LOAN REQUIREMENTS

Applicants who apply for the Alameda BMR Program must be able to qualify for a First Mortgage from a mortgage lender. A pre-approval letter will not be required as part of the Pre-Application but must be included as part of the Program Application submittal.

A. Impounds

The primary lender must collect and manage impound accounts for payment of property taxes and hazard insurance for the term of the City loan or Affordability Covenant.

B. First Mortgage Loan Term

The First Mortgage loan must have a fixed interest rate and fixed payment for thirty (30) years such that the loan will be fully paid off at the end of the thirty-year term (be fully amortizing). Mortgages with adjustable rates, interest-only payments, negative amortization, or balloon payments are not permitted. The program reserves the right to identify additionally prohibited loan programs and/or characteristics.

C. First Mortgage Loan Amount

The First Mortgage amount must be at least fifty percent (50%) of the Purchase Price.

D. Credit Score

The City does not establish a minimum credit score for Alameda BMR applicants. Lenders determine the minimum credit score according to their own guidelines and loan products.

E. Co-Signers

Co-signers are not permitted. All signers must be on the loan, on title and reside in the property.

F. Loan to Value and Combined Loan to Value

The first mortgage loan-to-value ratio (LTV) cannot be less than 50% of the purchase price. The combined loan-to-value (CLTV) cannot exceed 97%, which includes the first mortgage, and any other borrowed subordinate financing. An exception may be made when closing cost assistance causes the CLTV to rise above 97%. In all cases, the buyer must satisfy the minimum down payment requirement.

G. Front-End and Back-End Ratios

Applicant's monthly housing costs, including mortgage principal, interest, property taxes, property insurance, and if applicable mortgage insurance and homeowner's association dues cannot be less than 28% (Front-end Ratio). For low- and very low-income households, the Front-end Ratio cannot exceed 35% and for moderate income households it cannot exceed 40%.

The ratio of monthly housing costs, plus all other household monthly recurring debts (including credit cards, car payments, etc.) cannot exceed 43% (Back-End Ratio) of the gross Household Income.

H. Minimum Down Payment Requirement

Applicants must contribute a total down payment that is a minimum of three percent (3%) of the Purchase Price and a maximum of 50% of the Purchase Price. Regardless of the amount of the total down payment, a minimum of 3% of the total Purchase Price must come from Applicants' own funds.

Gift Funds can be used for the down payment on top of the 3% required from the buyer's own funds. The maximum Gift Funds amount is 17% of the purchase price.

At the time a Purchase Contract is signed, an Applicant must provide an earnest money deposit. The City recommends that the earnest money deposit be no more than three percent (3%) of the Purchase Price.

I. Refinance/Subordination

The City will allow refinancing of the First Mortgage for the existing loan amount plus actual closing costs up to 3% of the loan amount. BMR homeowners with a Down Payment Assistance (DPA) loan through the City of Alameda may also add the payoff amount to their new mortgage balance to pay off the DPA loan and/or any subordinate financing obtained at the time of purchase.

The same individuals that were named as Applicants on the original mortgage used for the initial purchase must also be named as Applicants on any refinance loan unless the City has approved the addition of an Applicant by marriage or domestic partnership or the removal of an Applicant by death, divorce or dissolution of domestic partnership or similar change.

For a refinance to be approved, the homeowner must be current on annual compliance Monitoring and in compliance with all BMR program requirements.

A fee of \$300 will be due payable from the Owner to the City of Alameda at closing.

J. Home Equity, Lines of Credit and Reverse Mortgages

Alameda BMR homeowners must not open a home equity line of credit, home equity loans or reverse mortgages. Applicants who use such programs are in violation of the program requirements and requests for approval to refinance their First Mortgage loan will be declined.

SECTION 5 – PROGRAM REQUIREMENTS FOR BMR OWNERS

5.1 General Requirements

A. City Loan

The City of Alameda will hold a silent second loan (City Loan) on the property in the amount of the difference between the Fair Market Value (what the property would be worth if the home had no deed restrictions) and the Purchase Price that the buyer pays for the home as an affordable, resale-restricted home. The terms of the loan are contained in a Promissory Note, which is secured by a Deed of Trust. The Deed of Trust is recorded as a lien on title at Close of Escrow. Unlike the first mortgage lender, the City will not disburse any funds to the title company at Close of Escrow.

The loan will have no payments due as long as the owner is in compliance with the program. Instances in which the loan may become due are outlined in the Promissory Note, Deed of Trust, and Affordability Covenant that the buyer signs at the time of purchase. If the unit is resold through the City's Affordable Homeownership Program, the City loan will be reconveyed, and the buyer will enter into a new Promissory Note, Deed of Trust and Affordability Agreement with the City of Alameda. In the event of an Extraordinary Sale, the owner will repay the City Loan plus the City's shared appreciation.

An ALTA Title Insurance policy is required for the City Loan, which is paid for by the buyer at closing.

B. Owner Occupancy Requirement

All household members must occupy the purchased property as their Principal Residence within 60 days after the close of escrow. Thereafter, all household members must reside in the property as their Principal Residence a minimum of 10 out of 12 calendar months for the term of the Affordability Covenant or until the property is sold. Annual compliance Monitoring will be performed to confirm continued owner occupancy.

All household members must own and occupy the BMR property for the term of the Affordability Covenant. Exceptions may be approved at the discretion of the City if there are extenuating circumstances that force the household to move (e.g. a job transfer).

C. Hazard Insurance

For the duration of ownership, each Applicant will be required to maintain hazard insurance.

D. Title Insurance Policy

The outstanding principal balance of the down payment assistance loan through the City of Alameda must be covered by an ALTA Lender's Policy of Title Insurance naming the City of Alameda c/o Housing and Human Services as follows:

City of Alameda ISAOA
c/o Housing and Human Services
950 West Mall Square, Suite 205
Alameda, CA 94501

E. Capital Improvements

BMR homeowners will have the opportunity to increase their resale price to reflect pre-approved documented costs associated with eligible City-approved capital improvements. To maintain the affordability for future BMR owners, the City will cap all eligible capital improvements at 10% of the resale price. Capital improvements made within the first year of ownership will not be considered.

Eligible Capital Improvements are any capital improvements or upgrades needed to resolve a health or safety issue and do not include general wear and tear. Capital improvements must be: (1) approved in writing by the City prior to installation; (2) conform with applicable building codes; (3) cost at least Two Thousand Dollars (\$2,000). With the exception of solar, capital improvements that are made during the first five years of the date that the Certificate of Occupancy is issued shall not be factored into the resale value.

The owner's specific recorded affordable housing covenants will prevail, but this is general guidance.

F. Title Transfer Restrictions

Title transfers will cause the City of Alameda silent second loan to become due, except under the following limited circumstances: (1) a transfer to a Spouse or Registered Domestic Partner who is also an obligor under the City Note; (2) transfer to an Owner's natural or adopted children, provided they qualify as Eligible Buyers; (3) transfer to a Spouse or Registered Domestic Partner who becomes the co-owner of the property; (4) a transfer between Spouses or Registered Domestic Partners as part of a dissolution proceeding or divorce; (5) transfer to an existing Spouse or Registered Domestic Partner by devise or inheritance following the death of the owner; (6) a transfer to an inter vivos revocable trust in which owner is the beneficiary.

For any of the above permissible transfers, the homeowner must submit a written request to the Program Administrator for approval. The homeowner must present supporting

documents with their request, including but not limited to, a copy of final trust agreement (any proposed change or revision to a City-approved trust must be first submitted to the City for approval), marriage certificate or state domestic partnership certificate, death certificate, divorce decree or legal separation agreement issued by a court. Upon approval, the City may require the homeowner to execute an addendum to City documents related to the property by which the transferee(s) shall assume the same rights and responsibilities with respect to those documents as the transferor(s).

Tenants in common is not a permitted form of ownership. Unmarried persons or three or more persons must hold title as joint tenants. The City reserves the right to identify additionally prohibited title vesting and transfers.

G. No Renting

Renting or leasing the home in its entirety or rooms within the home is not permitted. In the event the owner rents or leases the property, any excess rents paid to the owner by the lessee over the affordable rent shall be due and payable to the City, as stipulated in the recorded BMR program documents on the property.

H. Annual Occupancy Monitoring

All BMR homeowners must participate in annual occupancy monitoring and certification. At the City's discretion, they will require the owners to provide specific documentation annually to substantiate continued owner occupancy. The City will not subordinate or approve capital improvements or title changes if the homeowner(s) is not in compliance with annual monitoring or any other BMR program rule.

5.2 RESELLING A BMR UNIT

All BMR owners must resell their BMR unit at a price calculated by the City of Alameda (City) and based on the Affordability Covenant under which the BMR unit was purchased. A formula will be used to calculate the maximum price for which the unit can be sold. Selling involves advertising the BMR unit for sale as well as finding a new buyer. The City or its designee will set a due date for prospective buyers to submit an application and these applications will be entered into a lottery. Reselling the BMR unit may typically take about 4 and 6 months but this is subject to change.

Upgrades, storage units, and additional spaces, including second parking spaces:

- Must be financed separately from the financing of the property
- Cannot be added to the resale price when the owner sells
- Must be sold separately from the property when the owner sells
- Are the sole responsibility of the BMR owner
- Are not allowed when purchasing with City provided downpayment assistance funds

A. Notice of Intent to Sell

To initiate the resale process, the owner must provide the City with a Notice of Intent to Sell. Within 60 days, the City will respond to the owner notifying them whether the City will exercise their purchase option or if the owner is permitted to sell the home to an eligible

buyer. The City's response will include the eligible buyer purchase price and any repair costs required of the owner.

B. Eligible Buyer Purchase Price

The purchase price to be paid by an Eligible Buyer for the resale home will be determined by the Resale Formula outlined in the owner's Affordability Covenant and will include City-required energy efficient upgrades.

C. Permitted Sale to Eligible Purchaser

The City will use reasonable efforts to identify an Eligible Buyer within 180 days of receipt of the Notice of Intent to Sell, pursuant to Section 3 of this document.

D. Seller Costs and Responsibilities

Sellers are advised to review their Affordability Covenant to confirm allowable costs. The following information provides information that is generally applicable. The owner's specific recorded affordable housing covenants will prevail, but this is general guidance.

After receiving the Notice of Intent to Sell, the owner shall allow the City to enter the property for an inspection to determine: (a) if any repairs are required to bring the property into a sellable condition; and (b) if any violations of applicable laws or ordinances exist and the requirements for repairing or correcting such violations. Within 30 days of the inspection the City will provide the Owner a written report containing the repair costs. The owner can choose to either make the repairs prior to closing or pay the costs at closing through the escrow holder.

The owner will pay for the city resale costs, a one-year home warranty for the Eligible Buyer and all other customary fees paid by the seller in the City of Alameda (e.g., County transfer tax).

Key Steps to Selling Your BMR Home

1. The seller notifies the City of intent to sell using an appropriate form supplied by the City.
2. The seller submits capital improvement requests to the City, if any
3. The seller may select a real estate agent at seller's cost.
 - Your real estate agent will list your home on the Multiple Listing Service (MLS), hold open houses, and field questions about the unit and the BMR program. Questions should NOT be directed to the City.
 - The real estate agent must provide listing information to the City or its designee prior to posting any advertising. It must specify the application due date.
 - Marketing materials must indicate that the property is offered through the City of Alameda Below Market Rate homeowner program.
 - All listings must be posted for at least 21 days.
 - If permitted under the Affordability Covenant, the program administrator may add up to 5% to the base resale price to pay real estate agent commissions. Please refer to the Affordability Covenant to confirm.

4. The seller provides to the City or its designee the following items to calculate the resale price:

- Proof of current HOA dues amount
- Signed listing agreement (Under sales price, please list: "Price to be determined by the City of Alameda or its designee")
- Home Inspection and Disclosure documents
- Proof of approved capital improvements, if any, including information on what type and final cost (provide receipts).
- A description of appliances – is the home entirely electric? If not, which appliances are powered by gas?

5. The real estate agent and City or its designee conduct the required inspections (the seller is responsible for repairs). Prior to listing your home for sale, you or your agent must set up a time for the City or its designee to do a walk-through inspection of your home to ensure it is in good and marketable condition. The following inspection reports are required and must be submitted to the City or its designee to review prior to listing your home for sale:

- Home Inspection Report
- Pest Inspection Report*
- Agent Visual Inspection Disclosure (CA Association of Realtors Form AVID)

* Exception may be granted for condos where the HOA is responsible for exterior walls. In the event repairs are noted, the City will deliver written notice to the seller, which specifies the repairs which need to be completed at the seller's expense prior to marketing the home, entering into a sales contract with a new buyer, and in any event prior to close of escrow.

6. The City or its designee shall hold a lottery no less than seven (7) days after the application deadline.

7. The City or its designee will process applications in the order indicated by the lottery.

8. The City will issue a conditional approval. The buyer may sign a sales contract at this time. The buyer's first mortgage lender will schedule the appraisal, if necessary.

9. The buyer's first mortgage lender will submit a package to the City or its designee for final approval. The City will issue the final approval and prepare its loan documents.

10. The first mortgage lender and City will send their loan documents to title. The escrow officer at the title company will coordinate signing times with a notary.

11. The first mortgage lender will fund its loan.

12. The title company confirms that the new loan is recorded and then disburses loan proceeds to the seller and lienholders. Close of escrow typically happens within 24 hours of the loan funding.

SECTION 6 - GLOSSARY OF DEFINITIONS

Applicant: Any person eighteen (18) years of age or older who is applying for the BMR Program and who will reside in the property.

Area Median Income: The median income for Alameda County as defined by the California Department of Housing and Community Development (HCD) and adjusted for household size. The amounts are adjusted by HCD on an annual basis.

Back-end ratio: The ratio of monthly housing costs plus all recurring debt payments, such as installment payments, credit card payments, lease payments and other loan payments divided by the household's gross monthly income.

Below Market Rate Sales Price: A sales price that results in a monthly Housing Cost that does not exceed one twelfth of thirty percent (30%) of the maximum annual income for a household of the applicable income. The City reserves the right to reprice a BMR unit if the current rate of the Freddie Mac US 30-year Fixed Rate Mortgage has increased by at least half of a percentage point (0.50 %) from the interest rate that was used to calculate pricing by the City and provided to the Developer.

City of Alameda: A municipal corporation in the State of California.

Combined Loan-to-Value Ratio: The ratio of the total amount of all debt secured by the property divided by the lesser of the appraised value or BMR sales price of that property.

Condominium: As defined in California Civil Code Section 783.

City Conditional Approval: An evaluation of an Applicant by Program Administrator and the City that determines whether the Applicant qualifies for a Below Market Rate unit based on his/her/their income, assets, and other eligibility criteria. If an Applicant is conditionally approved, the City will issue a conditional approval letter to Eligible Applicants.

Close of Escrow: The point in time when ownership is transferred from the seller to the buyer. When the sale is recorded with the local government and the seller has received the purchase funds, ownership of the home is transferred from the seller to the buyer, and the buyer legally possesses the home.

Dependents: The household members who reside in the property and who are listed as dependents on the Applicant's Federal Income Tax returns or who the applicant has at least 50% custody of.

Down Payment: The initial cash payment the buyer makes during a real estate transaction and represents a percentage of the total purchase price of the home.

Educators: A household applying for a moderate-income unit with at least one member employed as a full-time teacher, administrator, school district employee or staff member working for any Alameda Unified School District K-12 public school, which includes Charter schools and county/continuation schools within the City of Alameda, including extension campuses.

Eligible Buyer: Any person or household whose income does not exceed the AMI designation for the BMR home, whose household size is appropriate for the home and who meets the HUD definition of a First-Time Homebuyer.

Eligible Buyer Purchase Price: The allowable Purchase Price to be paid by an Eligible Buyer for the property as provided in the owner's Affordability Covenant.

Fair Market Value: The value of a property based upon the determination of an authorized appraisal report mutually acceptable by both the City and the Applicant.

Final Approval: A written approval from the City prior to close of escrow to the Applicant and lender signifying that the Applicant meets the eligibility criteria of the BMR Program. This letter serves as a clear to close from the City BMR Program.

First Mortgage: The mortgage made by a participating lender for the purchase of a Principal Residence, which shall be in first lien position.

Front-end Ratio: The ratio of monthly housing costs, including first mortgage principal, interest, taxes, hazard insurance and homeowner's association dues (HOA) divided by the household's gross monthly income.

Gift Funds: An applicant may use funds received as a personal gift from an acceptable donor. An acceptable donor includes a relative, defined as any other individual who is related to the Applicant by blood, marriage, adoption, or legal guardianship and who is not part of the household. Gift funds are not allowed for a fiancé or fiancée who is not part of the household. Gifted funds will count towards assets. Actual bona fide grants include those where no promissory note or deed of trust is executed by the borrower and no repayment is due. The maximum Gift Funds amount is 17% of the purchase price.

Gross Annual Income: The anticipated income of an Applicant for the twelve-month period following the date of determination of Household Income, as determined by Program Administrator pursuant to Section 2.1D of this BMR Program Manual.

Household Income: The combined Gross Income for the Applicant(s), and any other person 18 years of age or older who is expected to live in the residence, as determined by Program Administrator pursuant to Section 2.1D of this BMR Program Manual.

Housing Cost: Mortgage principal, interest, property taxes, property insurance and, if applicable, mortgage insurance and homeowner's association dues.

HUD: The U.S. Department of Housing and Urban Development.

Inclusionary Housing: A public benefit program that requires a certain percentage of newly constructed residential units (houses, condos, etc.) to be affordable to low- to moderate-income households.

Loan-to-Value Ratio: The ratio of the amount of the first mortgage lien against a property divided by the lesser of the appraised value or BMR sales price of that property.

Low Income Household: a household whose annual income does not exceed the qualifying limits set for “lower income households” in Section 50079.5 of the California Health and Safety Code, or any successor statute thereto.

Moderate Income Household: a household whose annual income does not exceed the qualifying limits set for “persons and families of low or moderate income” in Section 50093 of the California Health and Safety Code, or any successor statute thereto.

Monitoring: Activities of the City, its designee, or Program Administrator, which will ensure compliance with the owner occupancy and other requirements of the program. Applicants are required to live in their BMR property and submit certain documentation on a regular basis to the Program Administrator to substantiate their continuing compliance with the Program requirements.

Pre-Application: Initial household eligibility and preference screening based on stated information provided by Applicant on Program Administrator’s website, to determine eligibility of household to be entered into a lottery that will determine a priority order for Program Application submission. Upon request, applicants who prefer to submit a paper copy of the Pre-Application will be provided with instructions to submit a Pre-Application by mail.

Principal Residence: (1) “Single-Family House”, (2) “Condominium” or (3) “Townhouse/Town Home”. It does not include timeshares, recreational vehicles, campers, or similar vehicles. The Applicant must occupy the Principal Residence at least 10 months out of every calendar year for the entire term of the loan.

Program Administrator: The City of Alameda has contracted with Rise Housing Solutions to administer the day-to-day program operations.

Program Application: BMR Program application with required supporting documents submitted by Applicants to the Program Administrator to determine household eligibility and preference verifications to receive a Conditional Approval.

Preference Points: Preference points, selected by applicants during the pre-application process, improve chances in a housing lottery. During the lottery ranking drawing, applicants are ranked and sorted by number of preference points, with those with the most points at the top of the list. Complete program applications will be processed in lottery ranking order, and self-reported preference points will be verified during the file review.

Purchase Contract: A real estate contract of sale functions as a legally binding agreement between two parties (i.e. Applicant and a seller) concerning the terms of purchase or transfer of real property.

Purchase Price: The cost of acquiring a residence, excluding usual and reasonable settlement or financing costs.

Registered Domestic Partner: As defined in the State of California Family Code Section 297-297.5.

Rise Housing Solutions: An organization that administers BMR and other affordable housing programs in the Bay Area. In July 2023, the City of Alameda selected Rise Housing

Solutions to administer its Inclusionary Housing program. Rise Housing Solutions oversees the day-to-day activities of the City of Alameda BMR Program.

Single-Family Residence: A single-family one-unit residence.

Spouse: A partner in a marriage.

Townhouse (Town Home): A single-family dwelling unit constructed in a group of three or more attached units in which each unit extends from foundation to roof and with a yard, patio or public way on at least two sides.

Very Low-Income Household: a household whose annual income does not exceed the qualifying limits set for “very low income households” in Section 50105 of the California Health and Safety Code, or any successor statute thereto.