

# MEMORANDUM

Building Safety and Housing Department



**DATE:** January 14, 2022

**TO:** Mayor and Council

**THROUGH:** Steve McHarris, City Manager 

**FROM:** Sharon Goei, Building Safety and Housing Director

**SUBJECT: Below Market Rate (BMR) Unit Applicant Selection Process**

In response to Councilmember Chua's request, this information memorandum summarizes how the selection process of applicants for below market rate homeownership units is conducted.

On November 1, 2011, the Milpitas Housing Authority adopted Resolution No. HA0001, which adopted regulations for the affordable housing selection process. This resolution and the process outlined below applies only to ownership units. Under the section titled "Order of Selection," the resolution states:

*"The City of Milpitas Housing Authority selects applicants from the waiting list in accordance with the date and time the completed application is received in the office and in accordance with income targeting requirements. Applicants who have claimed a preference will be selected in accordance with the date and time the completed application is received in the office, in accordance with income targeting requirements, and before applicants who have not claimed a preference."*

There are several considerations when determining the selection of the next applicant from the waiting list. They are listed below followed by a brief description of each.

## Unit Size and Household Size

The City's below market rate housing stock is comprised of unit sizes ranging from one to four-bedroom units. Each unit size contains a different household size range that is eligible to purchase the unit. Once a unit becomes available for purchase, staff reviews the waitlist for applicants that meet the household size to purchase the unit.

## Unit Income Level

Each below market rate unit has been deed restricted as affordable to a certain income level. The most common deed restricted income levels are moderate and low-income. After determining the unit size and household size required to purchase the unit, staff determines the affordable unit resale value, which is the price at which the current owner must sell the unit for. The selected waiting list applicant must qualify to purchase the unit at the price.

## Household Income Eligibility Level

Every year, the California Department of Housing and Community Development (HCD) publishes the required income ranges that fall within each designated income category based on Area Median Income (AMI) in each County. Once a unit becomes available for resale, staff ensures the selected applicant's current household income falls within the acceptable range required. The table below represents the income and household size requirements for each income level in Santa Clara County.

### 2021 HCD Income Limits

| Persons in Household  | 1         | 2         | 3         | 4         | 5         | 6         | 7         | 8         |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Extremely Low AMI 30% | \$34,800  | \$39,800  | \$44,750  | \$49,700  | \$53,700  | \$57,700  | \$61,650  | \$65,650  |
| Very Low 50%          | \$58,000  | \$66,300  | \$74,600  | \$82,850  | \$89,500  | \$96,150  | \$102,750 | \$109,400 |
| Low 80%               | \$82,450  | \$94,200  | \$106,000 | \$117,750 | \$127,200 | \$136,600 | \$146,050 | \$155,450 |
| Moderate 120%         | \$127,100 | \$145,250 | \$163,400 | \$181,550 | \$196,050 | \$210,600 | \$225,100 | \$239,650 |

### Preferences

There are five potential preferences in the Resolution that an applicant may claim on their application:

1. Families of veterans and servicemen and women
2. Persons that have been displaced by public or private action
3. People that live in Milpitas (at least 90 days)
4. People that work in Milpitas
5. People who live in Santa Clara County (at least 90 days)

These preferences assist staff in adjusting the waiting list for the most heavily weighted applicants.

### Application Date

The waiting list also maintains the applicant's original application date. This is done to ensure that the applicants who have met all of the above criteria and have been waiting the longest to be selected for a purchase are selected before an applicant with a more recent application date.

### Final Applicant Selection

The next applicant on the waiting list who meets the unit and household size, required income level, who is eligible for the most preferred categories, and among everyone that qualifies, applied the earliest, is selected.

Once an applicant is selected, the applicant may accept or decline to proceed with the purchase of the unit. Should the applicant decline to purchase the unit, staff then proceeds to the next applicant on the waiting list and will continue to do so until an applicant officially purchases the unit.

### Affordable Housing Ordinance

In 2018, the City Council adopted the Affordable Housing Ordinance, which updated the language and requirements of the selection criteria for new units added to the City's affordable housing homeownership portfolio. Staff is in the process of updating the Ordinance and will be updating the below market rate homeownership selection process for both current below market rate resale and for any new homes developed. This will include an update to, and Council input on, the preference categories. Other changes will include the selection methodology. Jurisdictions such as the City of Fremont have begun using a lottery system to determine the applicants selected for a homeownership unit. A lottery will provide residents a more equitable opportunity to be selected in a timelier manner. Staff anticipates returning to Council in spring 2022 to present a proposed new selection process.