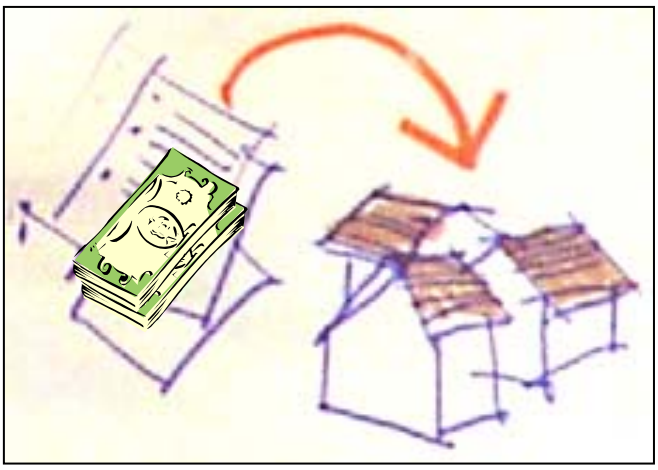
EXHIBIT A

CITY OF SANTA CRUZ
AFFORDABLE HOUSING TRUST FUND



Administrative Guidelines

Department of Planning and Community Development

Housing and Community Development Division

As adopted by the City Council on October 28, 2003 by Resolution No. NS-26,410

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City Of Santa Cruz Affordable Housing Trust Fund

Chapter 1: Statement of Purpose

The purpose of the City of Santa Cruz Affordable Housing Trust Fund, (hereinafter referred to as the AHTF), is to assist in the creation and preservation of affordable housing in the City of Santa Cruz for the benefit of low and moderate-income households.

Chapter 2: Definitions

1. "Area median income" or "AMI" is established for metropolitan areas or non-metropolitan counties by the U.S. Department of Housing and Urban Development (HUD), pursuant to 42 U. S. C. Chapter 1437 et seq., to establish local income classification levels. These classifications are also used in California housing law with respect to income eligibility limits.

2. "Affordable Housing" for purposes of these Guidelines shall mean rental housing that is affordable to low and/or very-low income households and for sale housing that is affordable to moderate, low and/or very-low income households.

3. "Extremely low income household" shall mean a household having an income not exceeding thirty (30) percent of AMI adjusted for household size.

4. "Very low income household" shall mean a household having an income not exceeding fifty (50) percent of AMI adjusted for household size.

5. "Low income household" shall mean a household having an income not exceeding eighty (80) percent of the AMI adjusted for household size.

6. "Moderate income household" shall mean a household having an income not exceeding one hundred twenty (120) percent of the AMI adjusted for household size.

7. "In-Lieu Fees" are fees paid by a market rate developer in lieu of building affordable units within the development as a means of satisfying the City's inclusionary housing requirement as specified under Chapter 24.16.030 of the Municipal Code. Under these Guidelines, the In-Lieu Fees will henceforth be dedicated to the AHTF as stipulated below.

Chapter 3: Housing Trust Fund Established.

1. By Resolution No. NS-26,410, the City Council establishes a trust fund for a special revenue account under the name of the "Santa Cruz Affordable Housing Trust Fund".

2. Accumulated and future Moderate, Low or Very-Low Income Housing Fund In-Lieu Fee dedications under Chapter 24.16.030(b) of the Municipal Code shall become AHTF property and shall be deposited directly into the AHTF. In-lieu fee dedications are allowed under Chapter 24.16.030 of the Municipal Code to be made by a market rate developer, upon application by the developer, to meet its inclusionary housing requirement. Accordingly, In-lieu fee dedications collected under Chapter 24.16.030 of the Municipal Code shall be deposited into the AHTF account.

3. The AHTF may accept donations from individuals or organizations other than the City of Santa Cruz. Such donations may be designated for a specific project or purpose.

4. All moneys remaining in the AHTF at the end of any fiscal year, whether or not expended by the City, remain AHTF property.

Chapter 4: Management

1. The Housing and Community Development Manager under the Department of Planning and Community Development shall serve as the Manager of the Affordable Housing Trust Fund. The responsibilities of the Manager, subject to direction of the City Council, shall include:

    a. Maintaining all records of the AHTF;

    b. Assisting prospective applicants requesting AHTF support in the preparation and presentation of their applications;

    c. Monitoring the use of monies distributed to successful applicants for AHTF support to assure ongoing compliance with the purposes of the AHTF and the conditions under which these monies were granted or loaned; and

    d. Reporting annually to the City Council regarding the operation and activity of the AHTF.

2. The Director of the Department of Finance, or designee, in coordination with the Manager of the Affordable Housing Trust Fund shall be responsible for the following:

    a. Disbursing and collecting AHTF monies.

    b. Maintaining and managing a separate account or accounts for AHTF monies.

    c. Maintaining financial records for the AHTF.

Chapter 5: Distribution and Use of Housing Trust Fund Assets

1. Distributions may be made to individuals and/or private or public, profit or non-for-profit entities.

2. The types of investments the fund may make include: gifts, grants, loan guarantees, letters of credit or other forms of credit enhancement, or other disbursements deemed necessary and appropriate to fulfill the purposes of the AHTF.

3. Organizations or individuals bestowing a gift or grant to the AHTF may specify how such a gift or grant may be used. If the gift or grant has not been used for such purpose within a reasonable amount of time, or a time period specified as a condition of the gift or grant, the gift or grant shall be returned upon the request of the donor.

4. Types of projects in which the AHTF shall invest include:

   a. Creation of new affordable units;

   b. Preservation of existing affordable housing;

   c. Assistance with multi-family rehabilitation programs;

   d. Conversion of market rate units to affordable housing units;

   e. Construction of accessory dwelling units;

   f. Acquisition and rehabilitation of potential limited equity housing cooperatives;

   g. First time homebuyer loans; and

   h. Predevelopment loans/grants to assist non-profit and for-profit developers with project feasibility studies, site acquisition and preliminary design studies for potential affordable housing projects.

5. Priority in all disbursements shall be given first to housing projects that guarantee the perpetual affordability of such housing and, second, to housing projects that guarantee a term of affordability of greater than 15 years together with eventual recapture of the AHTF investment.

6. Seventy-five (75%) of AHTF funds shall be targeted for projects that achieve one of the following:

   a. Preserve "at-risk" housing as defined in regulations governing the California State Multifamily Housing Program (MHP) or Chapter 21.05, Preservation of Assisted Affordable Housing, of the City of Santa Cruz Municipal Code.

b. Provide rental housing where at least 30 percent of total units will have three or more bedrooms and/or be restricted to special needs populations, as defined by the regulations governing the California State Multifamily Housing Program (MHP).

7. The following categories identify income groups that the AHTF will serve. The percentages shown are minimum target amounts of funding that will be expended in each category. If eligible projects are not found for a particular category within one year after funds have been deposited, funds targeted for that category may be moved into the contingency category to be allocated to other areas. Target set aside amounts are as follows:

   a. Extremely low-income (below 30% of area median income): Target 30% of AHTF funds.

   b. Very low-income (30% to 50% of area median income): Target 25% of AHTF funds.

   c. Low-income (50% to 80% of area median income): Target 20% of AHTF funds.

   d. Moderate-income (80% to 120% of area median income): Target 10% of AHTF funds.

   e. Contingency: Target 15% of AHTF funds. These funds can be allocated to provide for any of the identified categories above.

8. Projects will be evaluated with respect to criteria that are consistent with City goals and policies. In addition, projects that provide the following will be viewed favorably and when ranked against other projects, shall be given additional merit points:

   a. Projects that provide the greatest benefit per dollar of funds spent.

   b. Projects that demonstrate higher equity in the project and/or a lower loan to value ratio.

   c. Rental projects that have other funding sources identified and committed.

   d. Rental projects which benefit the highest percentage of low and moderate income persons, provide the lowest rents, include a greater percentage of affordable units, or will maintain longer periods of affordability.

   e. Rental projects that use program funds as a match or leveraging tool to stimulate the use of conventional and below-market resources, including tax credits, state and federal funding programs, and/or other funding sources.

   f. Rental projects proposed by an applicant with a successful history of project development and/or property management, as appropriate.

9. When appropriate, the AHTF shall use existing City guidelines for Homebuyer, Homeowner Rehabilitation, or Accessory Dwelling Unit Programs. Guidelines providing for loans and/or grants for the development of multi-unit rental projects shall be as follows:

a. A Nonprofit Community or Government Organization receiving an AHTF grant and/or loan must be a legally established tax-exempt nonprofit community organization recognized by the Internal Revenue Service and the Franchise Tax Board, a public agency, or other governmental agency.

b. Permanent financing shall be secured by a deed of trust against the land or a security agreement against physical improvements. A promissory note may be used for pre-development costs for up to 15% of the estimated project cost.

c. There must be at least 10% equity in the property after completion of a project. This value may be established by AHTF staff and/or an appraiser. Exceptions may be approved by the City Council.