



Vineyard Crossing Alternative Inclusionary Housing Compliance Plan

Background

Mendocino County Code section 20.239 – *Inclusionary Housing* of the Mendocino County Zoning Ordinance applies to residential developments of two or more units.

Pursuant to section 20.238.030 – *Alternatives*, the Board of Supervisors may approve, conditionally approve or reject any alternative proposed by a developer as part of an Inclusionary Housing Plan. Any approval or condition of approval must be based on the finding that the alternative meets or furthers the purpose of this Chapter and the purpose of the ordinance (e.g.: meeting fair share housing obligations; making progress meeting regional housing needs; ensure that there is adequate housing for moderate income, and other qualified buyers; etc.) would be better served by implementation of the proposed alternative as compared to a rigid application of the ordinance.

Proposed Alternative

The entire project, at its core and declared as the Objective in the Project Description, the project is specifically designed to provide quality homeownership opportunities, with a range of affordable product types and associated lot sizes, by developing a healthy and well-balanced single-family community that creates neighborhood pride, a sense of community, that is functional, safe and attractive and meets the most urgent housing needs and demand for the people and families who live and work in the Ukiah Valley.

The applicant will do their best to sell the homes at an affordable price, but there are market conditions that they are unable to control such as; labor and material cost, impact fees (sewer, water and school) and mortgage interest rates.

Housing Products

The project includes a range of lot sizes, a variety of housing square footages, attached and detached single family homes, as well as the ability to construct Accessory Dwelling Units:

Detached Single Family

The project contains a total of 91 residential lots which can accommodate a detached single-family home. The single-family homes are designed with space-efficiency in mind while protecting and preserving quality and livability.

Flex Lots

The project contains a total of 32 residential flex lots, which accounts for 25 percent of the total lots within the project. Flex lots will allow the construction of either a duplex or a townhome. Each attached dwelling will be constructed with the same finished materials and elevations as found in the detached single-family homes.

The purpose of a Flex Lot is twofold:

1. Townhome: The townhome would allow an individual to purchase a smaller single-family home on a lot that is smaller in size. Townhomes will be attached and share a wall with another dwelling, resulting in a reduced cost and increased energy efficiencies.
2. Duplex: The duplex would allow an individual to purchase an entire duplex, which could result in them residing in half, while renting out the other half. It could also result in two rental units, if the buyer does not live on site.

Accessory Dwelling Units

As part of the project, the applicant anticipates some demand for the construction of Accessory Dwelling Units (ADUs). ADUs must be constructed on a lot with a single-family home, and cannot be sold or owned separately. Based on a market survey, the applicant anticipates that the demand for ADUs within the project would not exceed 20 units. This estimate is based upon the number of ADU permits issued within Mendocino County over the last year. ADUs can be constructed on 79 of the 123 lots, which equals to 25 percent of the total lots. However, not all homeowners want or be able to construction ADU's, thus assuming more than 20 ADU's will be constructed will be speculative. ADUs will be subordinate in size to the primary residential unit, while finished with the same colors and materials.

This diversity of housing choices widens the market for potential homebuyers as well as increasing opportunities to rent by providing different housing price points, sizes and options.

Funding

In addition to conventional mortgage loans, we will assist prospective buyers by utilizing existing programs that provide guidance and resources to income eligible households, such as:

- Federal Housing Administration (FHA) financing. The FHA's goal is to help stimulate the housing market by making home loans accessible and affordable with low down payments, low closing cost and easier credit qualifying. FHA has loans available to low and moderate-income households.
- U.S. Department of Agriculture (USDA) Rural Development (RD). USDA provides home loans to qualifying households who are in eligible rural areas (which Ukiah is, as defined by USDA). The loan programs are Section 502 Guaranteed Rural Housing Loan Program and Section 502 Direct Rural Housing Loan Program. USDA has loans available for low and moderate-income households.
- California Department of Veterans Affairs (CalVet). CalVet assists veterans' home financing needs with products that have below market interest rates with low or no



down payment requirements, with an expanded eligibility that makes nearly any veteran wanting to buy a home in California eligible.

- California Housing Finance Agency (CalHFA). CalHFA has several different programs that assist eligible buyers including conventional loan programs and government insured loan programs. CalHFA also has down payment assistance programs, which is often the largest hurdle for many first-time homebuyers.

Mechanism:

An affordable housing agreement between the developer and the County would be prepared for review, consideration and adoption by the Board of Supervisors and may be part of the proposed Development Agreement.

Levels of Affordability

State Income Limits are used to determine eligibility (based the on level of household income) and calculate affordable housing cost. The income limits are for very-low, low and moderate levels. The income numbers utilized below are derived from the Department of Housing and Community Development, which outlines State Income Limits for 2017 for each County.

2017 Mendocino County Income Limits

Income Category	Number of Persons in Household							
	1	2	3	4	5	6	7	8
Very Low Income	\$21,350	\$24,400	\$27,450	\$30,450	\$32,900	\$35,350	\$37,800	\$40,200
Low Income	\$34,100	\$39,000	\$43,850	\$48,700	\$52,600	\$56,500	\$60,400	\$64,300
Moderate Income	\$50,350	\$57,500	\$64,700	\$71,900	\$77,650	\$83,400	\$89,150	\$94,900

Examples:

The next table illustrates how current market conditions which have historic low interest rates, influence housing affordability. These examples do not consider any down payments or other existing financial obligations of a particular home buyer.

Example No. 1 – Moderate Income (4 Person Household)

Yearly Gross Income	Payment Amount	Assumed Loan Term	Assumed Annual Interest Rate	Available Mortgage Payment	Affordable Home Mortgage Amount
\$71,900	33% of Income	30 years	4%	\$1,565.48	\$414,157
			5%	\$1,565.48	\$368,325
			6%	\$1,565.48	\$329,789

Example No 2. Low Income (4 Person Household)

Yearly Gross Income	Payment Amount	Assumed Loan Term	Assumed Annual Interest Rate	Available Mortgage Payment	Affordable Home Mortgage Amount
\$48,700	33% of Income	30 years	4%	\$1,339.25	\$280,520
			5%	\$1,339.25	\$249,478
			6%	\$1,339.25	\$223,375

Approving an Alternative Plan

Pursuant to section 20.238.030 – *Alternatives*, an alternative proposal may be approved based on the Board of Supervisor’s findings that the alternative plan better serves the purpose of the ordinance than conventional compliance. The purpose of the ordinance is set forth in Mendocino County Code section 20.238.050.

Chapter 20.238.005 - Purpose

- A. *Serve as one component of a countywide effort to encourage the permitting, development, and availability of housing affordable to a broad range of income levels within Mendocino County.*

According to the 2013 Regional Housing Needs Plan (RHNP) prepared by the Mendocino Council of Governments (MCOG) in response to statutory requirements, policy direction of the State of California Department of Housing and Community Development (HCD), approximately 67.34 percent of the future housing need is expected to be in the unincorporated area. The unincorporated County’s share of the regional housing need is 168 units, of which 74 are allocated to “above moderate”. Above moderate is defined as earning over 120% of the median household income.

The project proposes a permitting and developing a range of housing products to meet the housing demand of a wide market. The products consist of detached and attached single family homes (duplex and townhomes) and the incorporation of accessory dwelling units. This diversity of products allows for homeownership and rental opportunities throughout the project across a broad range of income levels.

The alternative plan also demonstrates that there are several existing agencies and loaning mechanisms in place to assist qualifying income families of low and moderate means.

- B. *Assist the County in complying with State Law which requires each local jurisdiction to develop a comprehensive, long-term General Plan, establishing policies for future development, including housing. As specified in the Government Code, the plan must “encourage the development of a variety of housing types for all income levels, including multifamily rental housing” and “assist the development of adequate housing to meet the needs of low- and moderate-income households.”*

The project outlines several ways in which housing will meet a range of income levels. This includes the introduction of 32 residential flex lots, which can accommodate either a duplex or townhome. These lots will allow first time home buyers or individuals of moderate means to afford a home. Further, the project anticipates up to 20 accessory dwelling units to be constructed, which helps meet the ever changing financial and living needs of a family.

The duplex or townhomes allow for buyers to purchase a home on smaller residential lots at more affordable pricing. Depending on the buyer, they could choose to purchase an entire duplex, live in one unit while renting out the second unit, or purchase a single unit, allowing a second buyer to purchase the additional lot. The accessory dwelling units allow for rental opportunities on a lot with a detached single-family residence.

- C. Implement Action Item 3.11 of the Housing Element of the General Plan which directs the County to develop and adopt an Inclusionary Housing Ordinance that requires market-rate residential development to supply on-site affordable housing or alternative to make housing available to low, very low, and moderate-income households.*

Integral to its design, the project includes elements that aide in meeting the supply of affordable housing units. These elements include incorporating duplex and/or townhomes and providing up to 20 accessory dwelling units throughout the project. These elements allow for rental opportunities.

- D. Promote the planning, permitting, and dispersal of affordable units throughout the County, in each community, and in each residential development approved by the County, consistent with the provision of this Chapter.*

The affordable units are dispersed throughout the boundaries of the residential project site. The proposal advances Action Items, Policies and Goals noted in the General Plan and Ukiah Valley Area Plan by promoting appropriate and affordable residential development within an existing urban service area.