NAPA COUNTY

PROXIMITY WORKFORCE HOUSING ASSISTANCE GUIDELINES

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I. GENERAL

Section 101. Purpose

The purpose of the Proximity Workforce Housing Assistance Program (the "Proximity Housing Program") is to assist low and moderate income households to purchase a home close to their place of work. The Proximity Housing Program is an effort to increase housing opportunities affordable to members of the Proximity Workforce and to reduce displacement of those members who may otherwise choose to purchase homes outside of the County due to lower home prices by strongly encouraging the creation of a jobs-to-housing nexus for members of the Proximity Workforce.

Section 102. Definitions

1. "Affordable Housing Ordinance" means Chapter 18.107 (Affordable Housing and Incentives) of the Napa County Code.

2. “Affordable Housing Trust Fund” means the affordable housing fund for the County established pursuant to Section 18.107.020 of the Napa County Code. Monies from the Affordable Housing Trust Fund may be used to provide Proximity Housing Assistance only for borrowers that meet the affordability and occupancy requirements set forth in the Affordable Housing Ordinance.

3. “County” means the County of Napa, a subdivision of the State of California.

4. "Eligible Proximity Workforce Household" means a household that has been certified by the County as eligible to participate in the Proximity Housing Program by qualifying as a Proximity Workforce Member and having a gross household income which does not exceed one hundred twenty percent (120%) of the Area Median Income.

5. “Employer” means a business whose business address is located within Napa County. If an Employer is not physically based in the Proximity Housing Market Area, an employee must be able to verify that they work in the Proximity Housing Market Area, such as working from home or route driving, for the minimum number of hours to qualify as a member of the Proximity Workforce.

6. “Gross Household Income” means the total Federal gross income for all household members (including those with their name on the deed, their spouse, and all dependents over the age of 25). Gross household income shall be calculated by summing all income for all members of the household by reviewing the most recent paystubs and the most recent tax return. ~~.~~ If there are discrepancies, the Federal gross income as ~~defined by~~ reported on the most recent paystubs will be the document used to determine income.

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7. "Net Proceeds" means the amount determined by subtracting the Original Base Price from one of the following amounts, as applicable: (i) the Resale Price of the Home, or (ii) in the event a creditor acquires title to the Home through a deed in lieu of foreclosure, a trustee's deed upon sale, or otherwise, the amount paid for the Home at a creditor's sale of the Home. Net Proceeds cannot be less than zero.

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8. “Non-Occupying Co-Borrowers” means individuals used to assist the Proximity Household borrower obtain a first mortgage. Non-Occupying Co-Borrowers must certify that they will not be living in the home and will not be contributing financially to the monthly mortgage payment.

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~~8.~~9."Original Base Price" means the original purchase price of the home paid by the Owner.

~~9.~~10. "Owner" shall mean a person or persons who owns a Proximity Housing Unit who receives Proximity Housing Assistance.

11. "Primary Residence" means the principal place of residence of a person/household. The Owner shall be deemed to have ceased to use the Home as the Owner's Primary Residences by residing in the Home fewer than nine (9) months, or approximately seventy-five percent (75%) of any consecutive twelve (12) month period. Co-signers shall be permitted upon certification that they do not intend to occupy the Proximity Housing Unit.

12. "Proximity Household Size" means the total number of members in the household as verified against the total number of people, including dependents, documented on the IRS Form 1040. Third party documentation will be required to verify dependents not included on the IRS 1040 (e.g. new birth certificate, court paperwork, etc.)
~~10.~~

~~11.~~13. "Proximity Housing Assistance" means monetary assistance in the form of a loan from the County to Eligible Proximity Workforce Households to increase the affordability of purchasing a property within the Proximity Housing Market Area. The Proximity Housing Assistance will be evidenced by the Proximity Housing Promissory Note and deed of trust.

~~12.~~14. "Proximity Housing Guidelines" means these guidelines, including any attachments or exhibits hereto.

~~13.~~15. "Proximity Housing Loan" means the monetary assistance from the County to the Owner to make the Proximity Housing Unit affordable to the Owner. The purpose of the Proximity Housing Loan is to increase housing affordability to members of the Proximity Workforce.

~~14.~~16. "Proximity Housing Market Area" means the area within the County that is within twenty (20) road miles" of the proposed property to be purchased with Proximity Housing Assistance.

~~15.~~17. "Proximity Housing Promissory Note" means the promissory note evidencing the terms of the Proximity Housing Loan, which note shall be in a form approved by the County Staff consistent with these Proximity Housing Guidelines.

~~16.~~18. "Proximity Housing Share of Appreciation" shall be equal to the Shared Appreciation Percentage of the Net Proceeds. In the event that Net Proceeds is equal to zero no Proximity Housing Share of Appreciation shall be due.

~~17.~~19. "Proximity Housing Trust Fund" means the special fund, the proceeds of which shall be used to partially fund Proximity Housing Assistance and to pay for administrative costs associated with receipt of Proximity Housing Assistance.

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~~18.~~20. "Proximity Housing Unit" means a single unit residence (condominium, townhome, single family home, etc,) purchased by an Owner with Proximity Housing Assistance. Participants in the Proximity Workforce Housing Program may not own, and plan to retain, another residential property for rental income while participating in the program. Applicants that own an existing residential property will be required to sell the existing property prior to closing a loan through the Worker Proximity Program.

~~19.~~21. "Proximity Workforce" means a person who at the time of execution of a purchase agreement (or other transfer agreement) for a Proximity Housing Unit is: (i) employed and currently working at least 30 hours per week or working a minimum of 1,200 hours per year, at a site or sites located within the Proximity Housing Market Area; (ii) or a disabled person who is employed at a job site located within the Proximity Housing Market Area, regardless of hours worked or who is unable to work because of the disabling condition, illness, or injury. For purposes of these guidelines, "disabled" means a person who has a disability as defined in subdivision (b) of Section 54 of the California Civil Code. Under certain proximity programs developed pursuant to these Proximity Housing Guidelines, only members of the Proximity Workforce whose gross household income does not exceed one hundred twenty percent (120%) of area median income shall be considered eligible to participate.

~~20.~~22. "Shared Appreciation Percentage" is the amount which represents the percentage obtained by dividing the principal amount of the Proximity Housing Loan by the Original Base Price of the Home.

~~21.~~23. "Transfer" means any sale, assignment or transfer, voluntary or involuntary that would trigger a reassessment of value.

II. PROGRAM ELEMENTS

Section 201. Proximity Housing Assistance.

The County may elect to offer Proximity Housing Assistance to homebuyers to assist with the purchase of a home located closer to the household member's place of work. Proximity Housing Assistance offered to homebuyers will be subject to the following conditions:

1. The total amount of Proximity Housing Assistance offered will not exceed ten percent (10%) of the purchase price of the home. The total down payment amount contributed by the applicants, including gifts, will not exceed 10% of the purchase price. The maximum purchase price of a home shall be capped at 110% of the median price of a home in the listed jurisdiction (i.e. Napa, American Canyon, Yountville, St. Helena, Calistoga) as evaluated and issued by memorandum each January by the Director of Housing and Homeless Services.~~Housing and Intergovernmental Affairs.~~

2. Only households with at least one member who is a member of the Proximity Workforce will be eligible for the Proximity Housing Assistance. In order to be certified as a member of the Proximity Workforce, total gross household income must be verified to be less than 120% of area median income. Refer to income verification requirements at§302 of these Guidelines.

3. The property purchased with the Proximity Housing Assistance must be located in the County of Napa and must be within a twenty (20) road mile radius of the place of employment of the member of the household who qualifies as a Proximity Workforce member. The Owner must intend to occupy the home as his or her Primary Residence.

4. The Proximity Housing Assistance will be evidenced by a promissory note and secured by a deed of trust recorded on the purchased home second only to a first mortgage that cannot exceed eighty-six and one-half percent (86.5%) of the value of the purchased home excluding closing costs and mortgage insurance. The County may require additional documentation with regards to the Proximity Housing Assistance.

5. The Owner shall not rent or otherwise lease the Home to another party, unless approved by the County under hardship conditions.

6. Other first time homebuyer programs are acceptable to be used in addition to the Napa County Proximity Housing Assistance Program so long as Napa County maintains the second lien and is not subordinate to another program.

III. Program Administration

Section 301. Qualification to Receive Proximity Housing Assistance

To be eligible to receive Proximity Housing Assistance, a person shall be required to:

1. have at least one member of the household certified as a member of the Proximity Workforce at the time of execution of a purchase and sale agreement for a Proximity Housing Unit;

2. certify that the Owner's gross household income does not exceed one hundred twenty percent (120%) of the Area Median Income; and

3. occupy the unit as that Owner's Primary Residence;

Section 302. Employment/Income Verification Procedures

In order to determine that a person requesting Proximity Housing Assistance meets all of the criteria set forth in Section 301, prior to occupancy, the County should review and keep on file specific documentation which provides proof of employment and income for each household

member. The applicant must provide the following documentation (with all such information and documentation to remain confidential):

1. Internal Revenue Service's Form 1040 Individual Income Tax Return

2. Most recent pay stubs

The County may also request any of the following documentation:

1. Executed Employment Verification Form (signed by Employer(s)) to verify physical work address in those instances when a PO Box or different work location is provided, to verify number of working hoursfor part-time positions and/or other unusual circumstances.;2. Employer(s) name, address, telephone and dates of employment;

2. A valid form of picture identification.

3. W-2 Wage Information

If any of the above required information is not available, the applicant shall provide other documentation as requested by the County. The sufficiency of any such alternative documentation will be determined by the County at its sole discretion.

When a person is self-employed, the County may request any or all of the following documentation (with all such information and documentation to remain confidential):

1. A complete copy of the applicant's most recent tax returns, including Federal and State tax returns;

2. Copies of all W-2s, Form 1099s, or K-1s received, if any;

3. Copies of any paycheck stubs, or an up-to-date profit and loss statement; and

4. A copy of a current business license, if applicable.

All Owners shall verify on their application that all information provided is true and accurate. If any of the information is determined by the County to be inaccurate or non-verifiable, the applicant may be subject to disqualification by the County from the application and/or approval process. The County may, if it chooses, designate a "Qualification Specialist," who reviews all application materials. An application fee covering the County's costs associated with verification is required at the time the proximity workforce verification form is submitted to the County for processing.

IV. OTHER PROGRAM CONDITIONS

Section 401. Payments Due to County Upon Transfer of Home

The terms for the Proximity Housing Loan will be as follows and will be more specifically set forth in the Proximity Housing Promissory Note:

(a) Required Payment. The Owner, upon Transfer, is required to pay all sums due and owing under Proximity Housing Promissory Note. The amounts due under the Proximity Housing Promissory Note will the repayment of the Proximity Housing Assistance plus the Proximity Housing Share of Appreciation. The County will not release the deed of trust on the Proximity Housing Unit without full repayment of the amounts owed under the Proximity Housing Promissory Note.

(b) Proximity Housing Share of Appreciation. The Proximity Housing Share of Appreciation shall be equal to the Shared Appreciation Percentage of the Net Proceeds. In the event that Net Proceeds is equal to zero no Proximity Housing Share of Appreciation shall be due. By way of example, if an Eligible Proximity Workforce Household receives a Proximity Housing Loan from the County in the amount of $10,000 and purchases a home with an Original Base Price of $100,000, the County's Shared Appreciation Percentage would be 10% based on the Proximity Housing Loan being 10% of the total purchase price. If that same household sells the home at a later date for $150,000, the County would be repaid the original $10,000 Proximity Housing Loan amount plus $5,000 representing 10% of the Net Proceeds ($50,000) from the sale of the home.

(c) Prepayment. Owner will be allowed to prepay the Proximity Housing Loan. At the time of prepayment, the Owner will be obligated to obtain a fair market value appraisal for the Proximity Housing Unit. The Proximity Housing Share of Appreciation at the time of any prepayment will be determined based on the fair market value appraisal, provided, that at the time of prepayment, the Proximity Housing Share of Appreciation shall be at least one-half of one percent of the fair market value of the Proximity Housing Unit. The Proximity Housing Promissory Note will include provisions regarding determination of fair market value and appraisal standards.

Section 402. Defaults

(a) Events of Default**.** The Proximity Housing Assistance and the Proximity Housing Share of Appreciation shall be due in the event of a default under the Proximity Housing Promissory Note. Defaults will include any failure to comply with the terms of the Proximity Housing Promissory Note, any default on a first mortgage on the home, a declaration of bankruptcy by the Owner and such other defaults as are included in the Proximity Housing Promissory Note, deed of trust or other documents evidencing the Proximity Housing Loan.

Section 403. Term of Loan

The Proximity Housing Promissory Note shall have a term of fifty-five (55) years from the date of the signed promissory note, unless earlier terminated under the terms of the Proximity Housing Note.

Section 404. Other Terms

The mortgage lender and title company selected by the Owner shall provide all loan and escrow documents to the County and the Owner at least 10 days in advance for County review and approval.

The Second Mortgage Agreement shall include such other terms as deemed reasonable by County consistent with these Proximity Housing Assistance Guidelines, including the following:

(a) Maintenance. The Second Mortgage Agreement shall require the Owner to maintain the Home, including landscaping, in good repair and in a neat, clean and orderly condition (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders and regulations of all federal, state, County, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials, The Owner will be required to make all repairs and replacements necessary to keep the Home in good condition and repair.

(b) Insurance. The Second Mortgage Agreement shall require the Owner to maintain a standard all risk property insurance policy equal to the replacement value of the Proximity Housing Unit, naming the County as an additional insured.

(c) Refinancing. The Second Mortgage Agreement will allow the Owner to refinance the first mortgage loan under conditions which will ensure that the County's Proximity Housing Loan and Proximity Housing Share of Appreciation is protected and no such refinancing amount exceeds seventy five percent (75%) of the fair market value of the home. There will be a fee for the preparation of a subordination agreement for every refinance of the first mortgage, in accordance with the County's Fee Schedule.

V. PROGRAM OVERSIGHT

Section 501. Special Review

A special review for a variance from the strict application of these guidelines may be granted if an unusual hardship can be established and the County finds, at its sole discretion, that the granting of such variance is consistent with the County's proximity housing goals and objectives. A person requesting a special review shall do so in writing and provide documentation regarding the unusual hardship. The applicant shall also be required to submit any additional information reasonably requested by the County in a timely manner.

The special review committee may grant, conditionally grant, or reject any such request at its sole discretion.

Section 502. Grievance Procedures

A proximity housing program adopted in accordance with these guidelines may, if appropriate, provide any person the right to appeal determinations made by County staff directly to the Board of Supervisors in the manner set forth in Chapter 2.88 of the Napa County Code.