



DRAFT LEADVILLE/ LAKE COUNTY

COMMUNITY GUIDELINES

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MISSION AND PURPOSE

“The Mission of the Leadville Lake County Regional Housing Authority is to enhance our county by helping those who define our community attain a safe, energy efficient, long-term housing solution, so they can contribute to our community and thrive.”

An administrative body will be assigned by both the county and city.

It is the intent of the Leadville/Lake County Guidelines to provide Community Housing opportunities for community members. With prioritization of persons who are currently or have actively been employed or self-employed in Lake County, and who also provide goods and services to individuals, businesses, or institutional operations in Lake County. With acknowledgment that over 70% of our community members commute out of county daily, deed restricted Community Housing created from these Guidelines will also be available to them as well through a tiered system described in these Guidelines.

The Leadville Lake County Regional Housing Authority (LLCRHA) establishes these Community Guidelines that govern the development of, admission to, and occupancy of deed-restricted community housing units for residents throughout Leadville/Lake County. These Guidelines support the LLCRHA’s goals and are not intended to supersede land use codes of Lake County, the City of Leadville, or the International Building Code.

These Community Housing Guidelines respond to housing needs in communities throughout Lake County. The Guidelines are used to:

- Establish Community Housing Income
- Establish Tiers of Community Housing
- Establish Affordable Rental Rates
- Establish Affordable Housing Sales Prices
- Establish Criteria for Qualifying and Occupancy of Units
- Provide Information, Support and Process for the Development
- Community Housing Provide Information on Monitoring and Compliance

NOTE: These Community Housing Guidelines will be adopted by resolution by the Board of County Commissioners and the City of Leadville which may be amended as needed.

PART I: INCOME CATEGORIES, EMPLOYMENT, ASSET, AND RESIDENCY REQUIREMENTS

These Guidelines identify categories of income levels for Lake County Households for the purpose of establishing initial sales prices and rental rates for new housing. These categories correlate to income levels by Household size provided by the US Dept of Housing and Urban Development (HUD) and the U.S. Census Bureau known as Area Median Income (AMI) for Lake County on an annual basis. The LLCRHA will make available the annual AMIs to the public when made available by HUD.

SECTION I: INCOME CATEGORIES

Category 1	Very-Low Income Limits	Below 50% AMI
Category 2	Low Income Limits	50.1 to 80% AMI
Category 3	Moderate Income Limits	80.1% to 100% AMI
Category 4	Middle Income Limits	100.1% to 120% AMI
Category 5	Upper Income Limits	120.1% to 200% AMI

Determining Household Size

HUD's AMI categories are further defined by Household size. For the purpose of calculating initial sales prices, the Household size will be calculated by using one and one-half (1.5) persons per bedroom of the unit to be built. For the purpose of establishing rental rates, the number of bedrooms of the rental unit will determine Household size.

SECTION 2: INCOME TESTING AND INCOME CALCULATION

Income testing refers to the verification of the annual Household income of a prospective purchaser or tenant who wishes to qualify for a deed restricted unit. Income testing shall only be done at the time of qualification for initial purchase or initial occupancy of the unit by a Household, and at every subsequent sale or Transfer of occupancy of the deed restricted unit.

Household income should be calculated using a standard method for all prospective purchasers and tenants of Community Housing restricted to a certain income category. These Guidelines require using gross income from each Household member's tax returns. For Households with more than one tax return filer, the gross income for each filer will be added together to arrive at the Household's income.

Documentation

The LLCRHA may request the following documentation to calculate income using the gross income method.

Persons employed by others:

- Most recent 2 years complete personal federal tax returns with all schedules attached
- Most recent 2 years W-2s from all employers
- Most recent 2 consecutive paystubs from each Employer Verification of Employment

Persons with some form of self-employment:

- Most recent 2 years complete personal federal tax returns with all schedules attached
- Most recent 2 years W-2s from all employers
- Employer Verification of Employment
- Most recent 2 years business tax returns:
 - Partnership – K-1 and 1065
 - S-Corporation – K-1 and 1120S
 - Corporation – 1120 (including W-2's and 2 most recent paystubs)

Persons with unearned income:

- Most recent 'award letter' stating the monthly or annual Gross Income received (SSI, SSDI, VA benefits, etc.)

Persons newly employed and/or with no previous tax returns:

- Evidence of income to be earned (employment contract, written verification from new employer of income to be earned, etc.)
- Most recent consecutive business and personal bank statements from start of business

Under certain circumstances the LLCRHA may require other, non-traditional forms of documentation to accurately calculate gross household income.

All income documentation and the information contained therein will remain confidential.

Calculating gross income:

All income reported to the Internal Revenue Service (IRS), whether taxable or not, may be included in the Household gross income calculation as long as it can be determined that it has a strong likelihood of continuing in the future. Income from the following sources will be calculated using the following methods:

“Salaried Income” – this is income earned by working for a separate entity whether the employee is considered ‘exempt’ or not. Income reported on the previous 2 years’ W-2s in Box 3 “Social Security Wages” will be averaged over the time period covered by the W-2. This will allow for the inclusion of variable wages earned such as overtime, bonus*, hazard pay, tips, etc. that are taxed by the employer.

* Bonus income may be excluded from income calculation based upon review.

“Self-employed Income” – this is income/(loss) earned from a business that the Household member has some ownership interest in. Partnerships, S-Corporations LLCs and Sole Proprietorships are included here. Income/(loss) reported as taxable income on the business tax return or reported on a Schedule K-1 as income/(loss) to the Household member will be averaged for the most recent 2 years.

“Unearned Income” – this is income generated through no effort of the Household member and includes pension, annuity, dividends, retirement, alimony or separate maintenance payments, unemployment compensation and Social Security benefits. Variable sources of income will be averaged over the most recent 2 years. Non-variable sources will use the amount as stated on the appropriate documentation. Any income derived from these sources that will not continue past the purchase of a Community Housing unit will not be included in the adjusted total income calculation.

“Rental Income” – net income/(loss) earned from investment properties will be averaged over the past 2 years using income/(loss) as reported on Schedule E. If the relevant Deed Restriction does not allow for ownership of other improved real estate, this income will not be included in the gross income, and disposal of the associated property(s) must be verified.

“Capital Gains/(Losses)” – income generated from capital gains/(losses) as reported on Schedule D will be included only if it is apparent that it is a regular activity of the Household member and is from the sale of short-term and/or long-term Assets.

“Non-Occupying Owners” – income from persons taking an ownership interest in a deed restricted unit with a prospective purchaser for the sole purpose of enhancing the credit-worthiness of the prospective purchaser will not be included in the Household gross income. Such non-occupying owners must be an immediate family member or a family member once-removed (aunts, uncles, grandparents, in-laws), otherwise their income will be included in the

Household gross income.

SECTION 3: ASSET TESTING AND LIMITATIONS

Asset testing refers to the verification of economic resources that contribute to a Household's net worth. The term *Asset* refers to liquid assets such as cash in savings, checking or other forms of bank accounts and stocks, bonds or other instruments that can readily be converted to cash. The most recent Total Actual Value as provided by the applicable Assessor's Office will be used to determine the value of real estate holdings, regardless of setoffs by encumbrances, costs of sale or holding, or percent of ownership interest. Assets in a qualified retirement plan and other non-liquid Assets such as personal belongings or intangible Assets will not be included in the asset limitations for each income category.

Asset testing and valuation shall only be done at the time of application for qualification of a Household to initially purchase or occupy a unit, or to enter into a lottery to purchase a unit and at every subsequent sale or Transfer of occupancy of the unit thereafter.

Documentation to verify the value of an asset will be determined by the type of asset; the LLCRHA reserves the right to request documents deemed necessary and appropriate to calculate a Household's net worth.

Household Net Worth Limitations:

Category 1	Very-Low Income	≤ 2 times the AMI based on actual Household size
Category 2	Low Income	≤ 2 times the AMI based on actual Household size
Category 3	Moderate Income	≤ 3 times the AMI based on actual Household size
Category 4	Middle Income	≤ 3 times the AMI based on a 3-person Household
Category 5	Upper Income	≤ 3 times the AMI based on a 3-person Household

Note: Middle and upper income capped at 3-person household because average household size in the County is 2.2

Prohibitions on Ownership of other Real Estate

Qualified Owners and Qualified Occupants in Income Categories 1 – 5 are not permitted to own other improved residential real estate. Improved residential real estate includes stick-built homes, and mobile and manufactured housing on a permanent foundation or with utilities. If such property is owned, the purchaser must list for sale, at competitive market prices, the residential real estate or mobile home prior to closing on the Community Housing unit and must still meet the asset/income limitations as set forth in Part I Section 3 herein. Upon the sale, a copy of the recorded warranty deed must be provided to the LLCRHA. If the property is not sold by the time of closing on the deed-restricted property, it must remain

listed until sold. If the other property has not sold within 180 days of the purchase of the deed-restricted unit, the owner must list and sell the deed-restricted unit according to the terms of the Deed Restriction or these Guidelines, whichever prevails.

SECTION 4: EMPLOYMENT AND RESIDENCY REQUIREMENTS

The primary purpose and intent of the LLCRHA's Community Housing programs is to provide housing that is affordable to local wages. To achieve this the cost of construction of or acquisition of Community Housing must be subsidized in some manner by the LLCRHA's jurisdictions, therefore it is appropriate that local employment prioritization will make deed restricted community housing available on a Tiered system through a Lottery as defined in Part 3 section on of these Community Guidelines.

Considerations may be made to provide flexibility from the local employment requirement to address unique situations such as: 1) residents that work from home, 2) persons retiring in their home, 3) Disabled Persons, and 4) persons who have involuntarily lost their employment in Lake County.

Minimum Employment Requirements

At the time of initial ownership or occupancy of Community Housing units and at all times during ownership or occupancy thereafter, at least one person who resides in the home shall be employed within Lake County to be considered in Tiers 1-3 as described in part III section I.

"Employed within Lake County" shall mean that the person earns at least eighty percent (80%) of their gross income from a business or organization operating in and serving the County and its residents.

Other Considerations

"Residents that Work from Home" – the LLCRHA may determine that residents who work from home satisfy the local employment criteria if evidence is submitted demonstrating that the work provides a product or service, or other significant direct benefit to the residents of the County and/or an existing local business. If the work, product, service or other benefit does not directly serve the residents of the County and could be performed anywhere, approval to purchase and/or occupy subsidized workforce housing may be denied.

"Persons Retiring in Their Home" – Qualified Owners as defined herein, who wish to retire and continue to own or occupy their workforce housing must score 25 out of a possible 30 points based on the following criteria:

10 Points Must have been employed in Lake County for seven (7) continuous years

prior to retirement. If employment is less than 7 years, no points are awarded.

10 Points Must have owned and/or occupied their workforce housing for 7 continuous years. If owned or occupied less than 7 years, 1 point shall be deducted for every year less than seven (7).

10 Points Must be 65 years of age or older. If retiring earlier than age 65, deduct 1 point for every year below age 65.

All other requirements for qualification contained in a Deed Restriction must be met.

“Disabled Persons” – Qualified Residents who become disabled after commencement of ownership or occupancy of a workforce home and such disability prevents them from meeting the minimum employment or retirement requirements set forth herein, shall be permitted to remain in their home for a period of occupancy authorized by the governing jurisdiction.

“Involuntary Loss of Local Employment” – Qualified Residents who no longer meet the minimum employment requirements through no action of their own, may be approved to continue to own and/or occupy their workforce housing so long as they are approved in writing by the LLCRHA based upon criteria including, but not limited to: 1) percent of total income earned in Lake County, 2) place of voter registration, 3) place of automobile registration and driver’s license address, 4) length of residency within Lake County, 5) Dependent(s) attendance at local educational institutions, and 6) other qualifications established by the LLCRHA from time to time. Compliance with each of these criteria is not necessary; the LLCRHA shall consider the criteria cumulatively as they relate to the purpose and intent of the workforce housing.

Minimum Residency Requirements

Any minimum residency requirement specified in the Deed Restriction shall be followed; if none is specified, proof of a minimum of 12 months residency or an employment contract or letter of employment may be used to evidence local employment.

PART II: OWNERSHIP, USE, OCCUPANCY AND RENTALS

The primary intent of the community housing program is to provide, Community Housing for local residents. Most Deed Restrictions require that the home be “Owner-Occupied” as a “principal residence” for the owner. Some restrictions allow for a non- owner-occupied home to serve as a principal residence for the occupant.

SECTION I: OWNERSHIP, USE, OCCUPANCY

Qualification

Prior to executing an offer for ownership of a deed-restricted property, a purchaser shall be approved by the LLCRHA as a Qualified Owner or have approval to become a Non-Qualified Owner.

Non-Qualifying Ownership

Upon the written consent of the LLCRHA a non-qualifying natural person or entity that owns and/or operates a business located in and serving the County may purchase a deed-restricted property; provided, however, that by taking title to a property, a Non-Qualified Owner shall be deemed to agree to the rental restrictions set forth in these Guidelines, and shall rent the property to a natural person(s) that does meet the definition of a Qualified Occupant, and shall not use or occupy the property for their own use or leave the property vacant for longer than sixty (60) days. Any occupancy of a property pursuant to this Section shall not exceed two persons per bedroom, unless the LLCRHA approves otherwise.

Occupancy

At all times during ownership of a deed-restricted property, the use and occupancy of the property shall be limited exclusively to a Qualified Owner, their partner, and their Dependents, or at all times during occupancy by a Qualified Occupant and their Dependents and shall be occupied it as their primary and sole residence.

Households may not have less than one person per bedroom occupying a deed-restricted unit.

No more than four non-related persons may occupy a deed-restricted property at any one time. *Business Use of a Property*

The use and occupancy of deed-restricted properties will be limited exclusively to housing for natural persons who have been qualified by the LLCRHA as meeting employment, income, asset and occupancy restrictions. Unless permitted by local zoning or ordinances where a property is located, and with written permission from the LLCRHA, an occupant shall not engage in any commercial business activity on or in the property. Home businesses require written permission of the LLCRHA.

Non-Occupying Co-Signers

Co-signers (persons providing security or assuming partial responsibility for a purchase money loan) may be approved for joint ownership of the unit but shall not occupy the unit unless

qualified by the LLCRHA. All co-signers must execute the Acknowledgement of Restrictive Covenant/Deed Restriction prior to purchase of a unit. If title to a unit Transfers solely to a non-qualified co-signer, the unit must be placed for sale according to the terms of the Deed Restriction and these Guidelines.

Leave of Absence Exemption

There are times when a Qualified Owner must leave Lake County for an extended period for personal or family reasons. In this instance the Qualified Owner may apply for an exemption from the LLCRHA from the use and occupancy requirements of these Guidelines. It is the responsibility of the Qualified Owner to provide evidence satisfactory to the LLCRHA of a bona fide reason for the exemption and a commitment to returning to the property. A leave of absence exemption may be granted at the sole discretion of the LLCRHA and will be granted for up to twelve (12) months maximum.

During an approved leave of absence longer than six (6) months, the Qualified Owner must find a Qualified Occupant to rent the property during their absence. The LLCRHA must approve the Qualified Occupant and the rental terms prior to occupancy of the property by the Qualified Occupant.

SECTION 2: RENTALS

Rental by Qualified Owner

Exemptions for the rental of a property that requires owner-occupancy as a principal residence may be granted by the LLCRHA under certain circumstances. An owner must apply for an exemption through the LLCRHA and provide supporting documentation and the proposed occupant must be approved as a Qualified Occupant prior to taking occupancy. Under no circumstances may a property be leased for more than 12 cumulative months during the entire ownership period of a Qualified Owner.

1. If a Qualified Owner is allowed to rent their unit out for up to a 12-month cumulative period, the rents charged will not exceed the owner's total Housing Expense (mortgage payment including principal, interest, taxes, insurance, mortgage insurance if applicable and homeowner association dues) by more than \$100 dollars per month. A copy of the lease agreement and evidence of the rents charged must be provided to the LLCRHA prior to occupancy by a Qualified Occupant.

Should a Qualified Occupant that is the head of the Household become deceased, the remaining Household members shall be permitted to occupy the property until the original

lease termination date, subject to the property owner's approval. If a remaining Household member becomes a Qualified Occupant during the original term of the lease, they will be allowed to renew the lease, subject to the property owner's approval.

Roommates are permitted under these Guidelines. The owner must provide have the roommate fill out a rental application and deliver it to the LLCRHA. Roommates in Owner-Occupied properties do not have to meet eligibility requirements but at no time may an owner rent out rooms for lease terms of less than 6 months. Under no condition shall any portion of a property be rented on a short-term basis.

When rental properties are acquired by a LLCRHA member through a buy-down transaction and a Deed Restriction is placed of record, the LLCRHA may, subject to member direction, state in its listing agreement that at least one of the occupants must become a qualified resident within 90 days or the lease shall be terminated.

Rental of Employer-Owned Property

Where allowed by the Deed Restriction, a property may be owned by a Qualified Employer, nonprofit, government agency, or essential service provider located in Lake County that rents the property to its employees or employees of other qualified businesses.

Rental terms shall be for no less than six (6) months. The LLCRHA will not require occupants of employer-owned properties to become Qualified Occupants expect they must be employed in Lake County; however, employer-owners will provide evidence of occupant(s) employment if requested by the LLCRHA from time to time.

A Qualified Employer may own other improved real estate in or outside of Lake County.

Resale of Employer-Owner Property

1. When a Qualified Employer purchases a property, title may be held by the business rather than a natural person.
2. Any Qualified Employer owner wishing to sell their unit must notify the LLCRHA in writing of its intent to sell. The Maximum Resale Price will be calculated per these Guidelines. If a lottery for the unit is to be held by the LLCRHA as outlined in these Guidelines, a maximum real estate transaction fee shall be paid to the LLCRHA. If there are no applicants for the lottery, the LLCRHA will list and market the unit on behalf of the seller. The unit must be sold to another Qualified Employer or Qualified Owner.
3. The unit may be included in the sale of a Qualified Employer's business as an asset of the business however, the Transfer of the unit's ownership must be approved by the LLCRHA. In no event may the unit be sold or valued for more than its maximum sales price or occupied by a nonqualified Owner or Occupant per these guidelines.

PART III: PURCHASING COMMUNITY HOUSING

SECTION 1: LOTTERY PROCESS FOR PURCHASING

From time to time the LLCRHA may operate a lottery for the sale of deed-restricted properties.

Qualification to Purchase

To qualify to enter the lottery at least one person in a Household wanting to take title to a deed-restricted property must meet the requirements for employment, income and asset limitations and any other requirements of the applicable Deed Restriction. The LLCRHA must qualify persons prior to entering a lottery and will assign the number of chances a Household may have in a lottery.

The LLCRHA will issue a Certification of Eligibility upon approval of the Household to purchase. A title company or transaction attorney may not close a purchase transaction on a deed- restricted home without having a copy of the Certification in their possession.

Tiers for Lottery Entries by Household

Each lottery or project may be unique to serve a certain AMI or Tier. In that event the lottery procedures and Tiers may be amended from time to time.

The LLCRHA will operate the lottery in Tiers. LLCRHA will fill all available units by moving through Tiers 1-5 starting with Tier 1 and moving through Tiers until all units are filled.

- Tier 1 would be for special right of first refusal
- Tier 2 would be Lake County based employee making 200% AMI or less -OR- Lake County Resident of 4 years or more making 120% AMI or less
- Tier 3 Lake County resident of 4 years or more making 120% - 200% AMI
- Tier 4 Any other permanent Lake County Resident

Priorities for Lottery Entries by Household

The LLCRHA will use the following priority list for households entering into a lottery:

Households that can provide satisfactory evidence of immediate and continuous in-County residency and employment from the age of 18 shall receive lottery entries as outlined here:

Working/Living* in Lake County ≤ 1 year	1 chance
Working/Living in Lake County > 1 year but ≤ 3 years	2 chances
Working/Living in Lake County > 3 year but ≤ 5 years	5
chances Working/Living in Lake County > 5 year but ≤ 10 years	6
chances Working/Living in Lake County > 10 years but ≤ 20 years	7
chances Working/Living in Lake County > 20 years	8
chances	

*Depending on which Tier we are in.

Households that have at least one Essential Service Worker as defined herein 2 additional chances

Lotteries Not Required

There are certain Transfers of title on deed-restricted properties that do not require a lottery to be held.

1. Person(s) chosen by a current property owner to join them in title, as long as it is in joint tenancy.

Lottery Process

1. All applicants wishing to enter in a lottery must have received a Certification of Eligibility from the LLCRHA prior to a lottery being conducted.
2. For newly constructed properties, the lottery will be held as specified by the LLCRHA.
3. At the time of the lottery, the LLCRHA Board President or designee and one additional LLCRHA member, along with an un-affiliated third-party shall be present to witness each applicant has placed their entries into the lottery container.
4. The lottery container shall be solid and non-transparent, and entries will be sufficiently mixed.
5. The un-affiliated third-party person will then draw an entry out of the container, and the name shall be recorded on the LLCRHA lottery log.
6. This process will continue until entries have been drawn for each unit available and recorded in the same manner.
7. Alternates from remaining entrants will be drawn and recorded.
8. For new construction lotteries, the first-drawn applicant will have no more than five (5) business days to execute a contract or reservation form with the LLCRHA. Should they fail to do so, the first alternate will be notified and will have no more than five (5) business days to execute a contract or reservation form, and should they fail to do so, then the next alternate will be notified and will have no more than five (5) business days to do so. This process will continue until there is a contract or reservation executed.

Applicants determined to be ineligible to enter the lottery may submit a notice to the LLCRHA protesting the determination and initiate the Grievance Process identified in Part VIII of these Community Guidelines within one week of being notified of ineligibility.

SECTION 2: MAINTAINING ELIGIBILITY FOR OWNERSHIP OF COMMUNITY HOUSING

There is no requirement to meet income or asset criteria for persons who have already purchased and own a Community-housing unit or are a Qualified Occupant, however, occupancy and employment criteria along with non-ownership of other improved real estate must continue to be met throughout the tenancy of the Household. LLCRHA will require all owners to complete and sign a deed-monitoring affidavit on an annual basis. Responses to the affidavit may require additional documentation be provided to verify compliance.

PART IV: REALES OF DEED-RESTRICTED PROPERTIES

Resale

No deed-restricted property shall be Transferred subsequent to the original purchase from the LLCRHA or its assigns, except upon full compliance with the procedures set forth in these Guidelines. In the event a property is sold and/or conveyed without compliance with these Guidelines, such sale or Transfer shall be wholly null and void and shall confer no title whatsoever to the purported buyer.

Notice of Intent

When an owner intends to sell or otherwise Transfer title to a deed-restricted property, the owner shall submit to the LLCRHA a Notice of Intent to sell or Transfer title. The property may not be Transferred to any person, entity or entities not qualified by the LLCRHA as a Qualified Owner or approved as a Non-Qualified Owner, nor for consideration that exceeds the Maximum Resale Price as determined by the LLCRHA pursuant to the provisions of these Guidelines. At this time, LLCRHA will advertise and make preparations to conduct a lottery if there is more than one Qualified Applicant.

Listing Process

An owner of a community housing unit desiring to sell shall consult LLCRHA to review the Deed Restriction covering the unit to determine the Maximum Sales Price permitted and other applicable provisions concerning a sale. Unless otherwise provided in the Deed Restriction, the unit must be listed for sale with LLCRHA, and a lottery administered if more than one Qualified Buyer is interested within the first 30 days. Staff will administer the sale in

accordance with these Guidelines. The sale of an Accessory Dwelling Unit (ADU) deed restricted as a “for sale” unit must follow these Guidelines and abide by the lottery process outlined in Part III Section 1. There shall be a minimum listing period of three months before a unit’s price can be readjusted. Any termination in the listing may require the payment of administrative and advertising costs. LLCRHA acts as the Transaction Broker representing both Buyer and Seller. Questions will be answered, and help provided to any potential purchaser or seller EQUALLY in accordance with these Guidelines. LLCRHA is responsible for preparing all documents pertaining to the sale and purchase of community housing units. The LLCRHA legal staff shall review documents for units sold within the LLCRHA geographical service boundaries. All purchasers and sellers are advised to consult legal counsel regarding examination of title and all contracts, agreements and title documents. The retention of such counsel, licensed real estate brokers, or such related services shall be at the purchasers or seller’s own expense. The fees paid to LLCRHA are to be paid regardless of any actions or services that the purchaser or seller may undertake or acquire. A seller in the process of purchasing a different unit may find it necessary to secure additional financing should the property listed for sale not close prior to the closing date on the newly purchased property. A **Seller’s Property Disclosure Form** will be completed by the Seller at the time of listing. This will be reviewed with the LLCRHA staff or Transaction Broker. Each seller will be provided a copy of Minimum Standards required in order for the Seller to receive maximum value, as defined in Part VI Section 1. In the event that there are no qualified buyers after 60 days, the seller may list their unit with a licensed real estate broker of their choosing. The seller must pay the real estate commission and cannot be considered part of the Maximum Resale Price.

Maximum Resale Price

The Maximum Resale Price may not exceed the sum of: (i) the Purchase Price paid by the owner for the Property, plus: (ii) an increase of two percent (2%) of such Purchase Price per year (prorated at the rate of 1/12 for each whole month, but not compounded annually) from the date of the owner's purchase of the Property to the date of the owner's Notice of Intent to sell the Property or AMI increase whichever is less; plus (iii) an amount equal to any special improvement district assessments, if applicable and not Transferable, paid by the owner during the owner's ownership of the Parcel; plus (iv) the cost of Permitted Capital Improvements from the date made to the property by the owner as set forth in these Guidelines; minus (v) any amounts associated with bringing the property up to the Minimum Standards for Full Resale Value as set forth in these Guidelines.

Property Condition Upon Sale

Pursuant to these Guidelines, each owner shall be responsible for ensuring that at Transfer of title the property is clean, appliances are in working order, and there are no health or safety hazards on the property per Part VI Section 1. Prior to any sale of a property, the LLCRHA shall conduct an inspection and provide the owner a list of the items that do not meet Minimum Standards for Full Resale Value. As may be necessary from time to time, the LLCRHA is

authorized to take necessary actions and incur necessary expenses to bring the property into saleable condition. Such actions and expenses include, but are not limited to, cleaning the property and making necessary repairs to or replacements of appliances and/or property fixtures, such as windows, doors, cabinets, countertops, carpets, flooring and lighting fixtures, and/or correcting any health or safety violations on the property. Expenses incurred by the LLCRHA to bring the property into a saleable condition shall be itemized and documented by the LLCRHA and deducted from the owner's proceeds at closing of the Transfer of the property.

Restriction on Additional Financial Gain

No owner shall permit any prospective purchaser to assume any or all of the owner's closing costs. The owner and purchaser shall equally split the closing costs. No owner shall accept anything of value from a prospective purchaser except for the Maximum Resale Price before, during or after closing of the Transfer of the property.

No Guarantee of Resale Price

Nothing in these Guidelines represents or guarantees that any property will be re-sold at an amount equal to the Maximum Resale Price. Depending upon conditions affecting the real estate market and the property itself, a property may be re-sold for less than the Maximum Resale Price.

PART V: INFORMATION FOR DEVELOPMENT OF COMMUNITY HOUSING

Part V of these Guidelines contains information to be used by developers of Community Housing units in Lake County or the municipalities within the County whether required in connection with an application for free-market development or other proposals containing a Community Housing component.

SECTION 1: INITIAL SALES PRICE CALCULATION FOR-SALE PROPERTIES

There are several different alternatives that can be used in determining the initial sales price of a unit; each method has ramifications for both short-and long-term affordability and impacts an owner upon resale of the property. LLCRHA has carefully considered the various methods and determined that setting initial sales prices relative to a specific index – AMI – provides the long- term affordability we need and allows us to target specific income levels in the development of Community Housing. Using the AMI index method requires us to calculate an Affordable mortgage payment for each AMI level targeted by local housing development. This method is also compatible with federal and state funding resources for both developing and purchasing Community Housing.

Determining Household Size

The LLCRHA will use 1.5 persons/bedroom in establishing maximum sales prices, except for studio units, which will use 1 person/unit.

Formula Components

The formula LLCRHA will use in calculating initial sales prices take into consideration the following components:

1. Establish AMI as the standard index – AMI measures the median income for a specific geographic area adjusted by Household size published annually by HUD. For Lake County, the methodology for calculating the AMI is tied to the most recent 5-year American Community Survey (ACS) data and adjusted by inflation.
2. Establish an affordability level – HUD recognizes 30% of a Household's Gross Income going towards Housing Expense as Affordable. LLCRHA will use the same percent.
3. Establish an amount for property tax, homeowner insurance and HOA dues – to calculate an Affordable sales price, we must first calculate an Affordable loan to the AMI target for a specific development. LLCRHA will use \$250/month for units targeting 120% of AMI and less and will use \$350/month for units targeting over 121% AMI.
4. Establish a mortgage term – most purchasers of Community units need the lowest mortgage payment possible so use of a 30-year term is standard. Owners can choose a shorter term as long as it is a fixed rate loan. No variable rate loan may be financed for a deed restricted property in Lake County.
5. Establish an interest rate for the mortgage payment – the mortgage amount for a Community unit is directly tied to the interest rate used in this calculation. The lower the interest rate, the higher the mortgage amount and conversely, the higher the interest rate, the lower the mortgage amount. The LLCRHA will use a trailing interest calculation by calculating the average interest rate over a specified period of time and add an affordability margin to that average. The LLCRHA will use the most recent ten-year Federal Home Loan Mortgage Corporation (FHLMC, aka Freddie Mac) year-end average rates and will add a 1.5% margin to that number.
6. Establish a loan-to-value ratio – the LLCRHA will use a 90% loan-to-value ratio to determine the initial sales price after calculating the mortgage amount.
7. Using these data points with a financial calculator the initial sales price is set.

The LLCRHA will update these sales prices annually when the most recent HUD AMIs are published.

SECTION 2: INITIAL SALES PRICE CALCULATION RENTAL PROPERTIES

This formula for determining initial sales price of a unit will be used when developing

affordable rental housing offered for sale by a developer to the general public, as it directly targets specific income levels. Rental rates for affordable units will be capped at thirty percent (30%) of the AMI adjusted by bedroom count. The thirty percent (30%) must include utilities.

PART VI: REGULAR MAINTENANCE AND MINIMUM PROPERTY STANDARDS FOR FULL RESALE VALUE, PERMITTED CAPITAL IMPROVEMENTS, INSURANCE REQUIREMENTS

SECTION 1: REGULAR MAINTENANCE AND MINIMUM PROPERTY STANDARDS

Regular Maintenance

In order to preserve the quality of our housing stock, particularly those that have significant amounts of public subsidies in them, it is important that homeowners maintain the condition of their homes to an acceptable level. Ideally, homeowners would choose to maintain their homes because of their preference to reside in safe, decent housing, rather than be forced to do so by regulation or rules from the LLCRHA. The LLCRHA is making efforts to educate homeowners that there are distinct financial advantages to maintaining their residences in decent condition since:

- 1) failure to do so could result in poor marketability and lower offering prices for the home, and
- 2) when property conditions are rated as "fair" or "poor" on appraisals, lenders will require that work be performed and paid for to upgrade the rating prior to closing on a resale.

All costs to repair or maintain a property to bring it up to the minimum property standards will be deducted from the Full Resale Value.

Minimum Property Standards for Full Resale Value

- “Thoroughly cleaned property”
- Carpets professionally cleaned two or three days prior to closing
- All major scratches, holes, burn marks repaired in hardwood floors, linoleum, tile, counter tops, etc.
- No broken windows
- All screens in windows (if screens were originally provided)
- All appliances as originally provided must be in clean, working order
- All doors will be in working order with no holes
- All latches and locks on doors will work
- All keys will be provided, e.g., doors, mailbox, garage
- All mechanical systems shall be in working order
- Walls are paint-ready
- Normal wear and tear on carpet; if carpet has holes, stains, etc., the carpet and

padding of equal value shall be replaced prior to closing, or sufficient funds escrowed at closing for the new buyer

- No leaks from plumbing fixtures
- No roof leaks
- Any safety hazards shall be remedied prior to closing
- All light fixtures shall be in working order with light bulbs

included "Thoroughly cleaned property" means:

KITCHEN

- Range -Inner and outer services must be cleaned.
- Range hood and exhaust fan must be cleaned.
- Refrigerator and Freezer - Inner and outer surfaces of refrigerator and freezer must be clean. Freezer must be defrosted.
- Cabinets and Countertops - Exterior and interior surfaces of cabinets and drawers must be clean. Door and drawer handles, if provided, must be clean and in place.
- Sink and Garbage Disposal - Sink and plumbing fixtures must be clean. If garbage disposal is provided, this must be in working order.
- Dishwasher – If provided prior to move-in, it must be in working order and inner and outer surfaces must be clean.

BLINDS, WINDOWS, SCREENS:

- Mini-blinds, Venetian Blinds, Vertical Blinds, and Pull Shades - must be clean and in working order with no holes or damage.
- Windows - All window surfaces, inside and outside of the window glass, must be clean.
- Screens - Screens must be clean and in place with no holes or tears.

CLOSETS:

- Closets, including floors, walls, hanger rod, shelves and doors, must be clean.

LIGHT FIXTURES:

- Light fixtures will be clean and must have functioning bulbs/fluorescent tubes.

BATHROOMS:

- Bathtub, Shower Walls, Sinks -Bathtubs, shower walls and sinks must be clean.
- Toilet and Water Closet - Water closets, toilet bowls and toilet seats must be clean. If the toilet seat is broken or peeling, the seat must be replaced.
- Tile - All tile and grout must be clean.
- Mirrors and Medicine Cabinets – must be cleaned inside and out.
- Shelves and/or Other Cabinetry - must be cleaned inside and out.

WALLS, CEILINGS, PAINTED DOORS AND BASEBOARDS:

- Painted surfaces must be cleaned with care to ensure the surface is clean without damaging the paint.

FLOORS:

- Floor cleaning includes sweeping and mopping and could include stripping, waxing and buffing. Types of floor surfaces include wood, wood parquet tiles, linoleum, asphalt tile, vinyl tile, mosaic tile, concrete and carpet. If carpet, all carpets must be professionally cleaned at least two days prior to closing.

INTERIOR STORAGE/UTILITY ROOMS:

- Storage/utility rooms must be cleaned. Properly cleaned storage/utility rooms will be free from odors, removable stains, grease marks or accumulations.

WALLS PAINT-READY:

- All holes must be patched; all posters, pictures, etc., must be removed from all walls; all nails, tacks, tape, etc., must be removed from all walls; and all walls must be clean and ready for the new buyer to paint. If wallpaper has been placed on the wall and in good condition, the wallpaper can remain; if the wallpaper is peeling off, the wallpaper must be removed, and walls made paint ready.

WINDOWS:

- If a window is broken, including the locking mechanism, the window must be replaced.

Health and Safety Hazards. Any condition(s) that provides a health and/or safety hazard must be fixed. This would include, but is not limited to, exposed electrical wiring, improper ventilation for gas, hot water systems, torn carpeting, etc.

SECTION 2: PERMITTED CAPITAL IMPROVEMENTS

At times owners of deed restricted properties may want to improve their home and recoup their expense for the improvement. Because one of the primary objectives in providing deed restricted homes in a community is to ensure there is a supply of Community homes, any improvements that increase the resale price of deed restricted properties relative to the original income target is a concern. Therefore, Permitted Capital Improvements should be clearly defined and restricted sufficiently to maintain Affordable price points over time while still protecting the quality of the housing stock.

It should be noted that Permitted Capital Improvements (PCIs) do not include the regular

repair, maintenance, replacement of fixtures and finishes, or the upkeep of a property. Those on-going owner obligations are important to the quality of the deed restricted housing stock and are addressed in the Maintenance section of these Guidelines.

Treatment of Permitted Capital Improvements

The amount for PCIs shall not exceed ten percent (10%) of the original purchase price for an initial ten (10) year period. For every ten (10) year period from the date of the original purchase and Covenant, another ten (10) percent of the purchase price may be added to the value of the property for PCIs. In calculating such amount, only those Permitted Capital Improvements identified in these Guidelines shall qualify for inclusion. An owner's contributed labor or "sweat equity" shall not be part of the cost of an eligible improvement.

When PCIs are allowed, only those that improve unfinished interior spaces or add new system(s) that make the property more Affordable for the owner/occupant will be included in the Maximum Resale Value calculation. Luxury or cosmetic upgrades, exterior improvements (landscaping, decks and patios), or replacement of existing finishes, appliances, or fixtures will not be included as PCIs in the Maximum Resale Value.

When calculating the value of PCIs an owner must provide clear, legible, written proof of costs incurred. The cost of labor will not be included in the value added into the Maximum Resale Value.

Appreciation of PCIs will start from the first of the month when they were completed. An owner must provide evidence of obtaining a building permit and notice of formal completion when required to add the value of the PCIs to the Maximum Resale Price.

In the development of new housing, if PCIs are allowed, the initial sales prices will be discounted to ensure that even with the addition of PCIs, the price at time of resale will be Affordable to the initial income target.

When PCIs are not allowed, properties will be fully finished with adequate storage and/or garages at the time of initial sale.

Permitted Capital Improvements

- Modifications or improvements to accommodate persons with disabilities as defined in the Americans with Disabilities Act of 1990;
- Modifications or improvements to assist seniors to age in place;
- Improvements for health and safety protection devices (including radon);
- Improvements to finish intentionally included unfinished interior space;
- Modifications or improvements to increase energy efficiency and/or water

conservation on a case-by-case basis (this includes energy efficient appliances).

Non-Permitted Capital Improvements

- Jacuzzis, sauna, steam showers and other similar items;
- Upgrades or the addition of decorative items including lights, window coverings, flooring, paint and other similar items;
- Upgrades of appliances, plumbing and mechanical systems;
- Outdoor landscaping including the addition of decks, porches, patios, gazebos, fencing, irrigation systems and other similar fixtures;
- Cost of tools or rental equipment.

SECTION 3: INSURANCE REQUIREMENTS

Deed-restricted housing with public subsidies means that the cost to build homes is greater than what the sales price is. Typically, homeowners insure their homes for 80% of what the value of the home is, assuming 20% of the value is in the land.

When properties are subsidized, owners must obtain full replacement cost coverage which will repair or replace the home in the event of damage or destruction. Insuring a deed-restricted home to a capped value could result in a gap between what the insurance will pay and what it actually costs to repair or replace the home.

Any damage or destruction must be corrected or repaired before a resale of the property will be allowed.

PART VII: DEED MONITORING/COMPLIANCE MATTERS

SECTION 1: DEED MONITORING

The Community Housing programs currently in place in our community, as well as those yet to be developed, have come at great cost to each community in terms of volunteer time, investment of legal, financial and material resources, the contributions of intellectual property and gaining the support of the public will. It is incumbent upon providers of a Community Housing program to protect the investments made and honor the intent of each Deed Restriction through compliance monitoring.

The LLCRHA will annually monitor compliance by owners of deed-restricted properties through a self-completed affidavit.

It is considered a violation of these Guidelines for an owner to refuse to return a completed deed-monitoring affidavit to the LLCRHA.

LLCRHA Responsibility

To adequately qualify new owners as well as determine compliance when deed monitoring, the LLCRHA will use the following definitions:

1. Owner-Occupied – at least one qualified person holding title occupies the property as their primary residence.
2. Non-Occupying Co-Borrower – a person who is on title merely for the purpose of obtaining lender approval for a buyer’s purchase money mortgage and whose intent is to not occupy the property.
3. Non-Qualified Owner – a person or business allowed to own a property that must be occupied by a Qualified Occupant.
4. Qualified Occupant or occupant – a person who has been approved through the LLCRHA as meeting the requirements of employment, income, occupancy or any other factors relative to the Deed Restriction.
5. Principal residence – a property where the occupant(s) lives a minimum of 9 months per year.

In addition to an *owner’s* use of the property, relevant factors in determining that the property is the principal residence include without limitation:

- a. The owner’s place of employment.
- b. The principal place of residence for the owner’s family members.
- c. The address listed on the owner’s federal tax returns, driver’s license, auto registration and/or voter registration card.
- d. The owner’s mailing address for Household bills, personal bank statements and personal correspondence.
- e. The location of religious organizations, service clubs or community non- profits the owner is affiliated with.

In additional to an *occupant’s* use of the property, relevant factors in determining that the property is the principal residence include a – e above without limitation, and:

- f. Evidence the occupant has been qualified as a resident by the LLCRHA.
6. Sole residence – the only residence an owner has a right, title or other interest in, or the only residence a Qualified Occupant has an interest in.
7. Vacant Property – a home that is no longer occupied as a principal residence by the owner for a period of 90 consecutive days, or a property that is unoccupied by a Qualified Occupant for a period of 90 consecutive days.
8. Leave of absence – a vacancy longer than 90 days that has prior approval from the LLCRHA.

SECTION 2: COMPLIANCE MATTERS

From time to time it may come to the attention of the LLCRHA that an owner of a deed-restricted property may be out of compliance with the terms of the Deed Restriction, or an occupant of a property managed by the LLCRHA may be found to be in violation of the lease and any and all rules, regulations, policies and procedures governing such occupancy. It is the responsibility of the LLCRHA to investigate all alleged non-compliant matters and determine if a violation is in existence. LLCRHA members will inform the Board President of potential non-compliance matters upon discovery and keep the President apprised of the investigative process and outcomes.

Deed-Restriction Non-Compliance

The LLCRHA has the right and authority to investigate as fully as possible all non-compliant matters which will include, but is not limited to:

- Contact with the owner informing them of the allegation
- Inspection of the property in question
- Inspection of lease agreements, title documents, loan documents and all others pertaining to legal ownership and occupancy of the property
- Verification of employment directly with the owner's employer, tax returns of the owner, IRS verifications of tax return authentication, and other documents as warranted
- Social media searches, all other publicly accessed internet resources
- Any other reasonable means of verifying compliance as deemed necessary.

Subject to the nature of and significance of a violation, the LLCRHA will notify the beneficiary and the owner, provide suggestions for acceptable remediation and a reasonable timeline in which it must be achieved.

If a remedy satisfactory to the beneficiary cannot be reached and subject to the terms of the deed restriction, one of the following penalties may be levied:

- Appreciation - no appreciation gained on a property from the date the violation was incurred or discovered, whichever is earlier, until a satisfactory remedy is reached.
- Monetary - a per diem fine may be imposed from the date the violation was incurred or discovered, whichever is earlier, until a satisfactory remedy is reached.
- Specific performance – the violating homeowner may be forced to sell the property.
- Reimbursement – the violating homeowner may be required to reimburse the beneficiary equal to the current value of the public dollars invested in the property.
- If a property is encumbered by a HUD-insured mortgage, the following remedies will

not be pursued:

- Acceleration of a mortgage
- Voiding a conveyance by an owner
- Terminating an owner's interest in a property
- Subjecting an owner to contractual liability other than monetary damages.

An owner found to be in violation of these Guidelines, or an applicable Deed Restriction may submit a notice to the LLCRHA protesting the determination and initiate the Grievance Process in Part VIII of these LLCRHA Housing Guidelines within one week after receiving notice of a violation.

Lease, Rules, Regulations, Policies, Procedures Violations

This Section identifies lease violation procedures that will be implemented for properties owned and managed by LLCRHA, excepting those properties whose senior governing documents prevent such procedures. These procedures clearly detail the process and timeline for enforcement of lease provisions, rules and regulations, policies and procedures and companion/service animal agreements. These procedures apply to all tenants and for all violations *except for failure to pay rent when due*, when the specific terms of the lease agreement shall prevail.

Each tenant is provided with a copy of all lease provisions, rules and regulations, policies and procedures and companion/service animal agreements at the time of initial occupancy of a unit and at each lease renewal. After reviewing these documents with LLCRHA member, each tenant is required to sign these documents and initial in various places. The LLCRHA will continue to make tenants aware of all lease provisions, rules and regulations, policies and procedures and companion/service animal agreements at the time of initial occupancy of a unit and at each lease renewal.

When a violation of any lease provisions, rules and regulations, policies and procedures and companion/service animal agreements is made known to the LLCRHA, the following procedures shall be followed:

1. First violation

- a. Within two (2) business days an informal email with the subject line stating "First Notice of Violation and Request for Compliance" will be sent to the tenant stating:
 - i. The specific lease provision, rule, regulation, policy, procedure or agreement term that was violated
 - ii. How the violation occurred
 - iii. When the violation occurred
 - iv. How to remedy the violation

- v. Highlight they have 3 business days from the date of the email to have the violation corrected
 - vi. A request for the tenant to notify us in writing when they have corrected the violation
- b. The LLCRHA reserves the right to immediately file for lawful eviction if the first violation is of a nature that:
- i. Poses a serious or imminent threat to another individual
 - ii. Causes property damage beyond the amount of the damage deposit received from the tenant
 - iii. Is a criminal activity
 - iv. Involves the use, possession or cultivation of a prohibited substance
- LLCRHA will immediately notify the Board President of any eviction action being initiated.

2. Second violation of the same nature

Within two (2) business days, a formal email with the subject line stating: “Second Notice of Violation and Request for Compliance” will be sent to the tenant stating: The specific lease provision, rule, regulation, policy, procedure or agreement term that was violated

- a. How the violation occurred
- b. When the violation occurred
- c. How to remedy the violation
- d. Highlight they have 3 business days from the date of the email to have the violation corrected
- e. A request for the tenant to notify us in writing when they have corrected the violation

3. Third violation of the same nature

Within two (2) business days a formal email with the subject line stating: “Third and Final Notice of Violation” will be sent to the tenant stating:

- a. The specific lease provision, rule, regulation, policy, procedure or agreement term that was violated
- b. How the violation occurred
- c. When the violation occurred
- d. When the First and Second Notices of Violation were sent and a summary of tenant responses to each Notice
- e. Identify the enforcement action to be taken by the LLCRHA, subject to applicability:
 - i. Early termination of lease
 - 1. If there are six (6) full months or more remaining on the lease
 - ii. Non-renewal of lease

1. If there are less than six (6) full months remaining on the lease
- iii. Eviction

1. If the violations are of a nature that:
 - a. Poses a serious or imminent threat to another individual
 - b. Causes property damage beyond the amount of the damage deposit received from the tenant
 - c. Is criminal activity
 - d. Involves the use, possession or cultivation of a prohibited substance
 - e. LLCRHA will follow all applicable laws in the effectuation of each enforcement action.
 - f. LLCRHA will immediately notify the Board President of the issuance of the Third and Final Notice of Violation and the enforcement action taken.
 - g. The tenant shall receive a copy of the LLCRHA Grievance and Appeals Process and Request for Alternative Dispute Resolution form.

4. Violations of different natures

For tenants with violations, individually or in combination, of five (5) different terms of any lease provisions, rules and regulations, policies and procedures and companion/service animal agreements, shall, after the fifth violation is made known to LLCRHA, receive an email with a formal "Final Notice of Violation" stating:

- a. The specific lease provision, rule, regulation, policy, procedure or agreement term that was violated
- b. How the violation occurred
- c. When the violation occurred
- d. When the previous First Notices of Violation and Request for Compliance were sent and a summary of tenant responses to each Notice
- e. Identify the enforcement action to be taken by the LLCRHA, subject to applicability:
 - i. Early termination of lease
 1. If there are six (6) full months or more remaining on the lease
 - ii. Non-renewal of lease
 1. If there are less than six (6) full months remaining on the lease
 - iii. Eviction

1. If the violations are of a nature that:
 - a. Poses a serious or imminent threat to another individual
 - b. Causes property damage beyond the amount of the damage deposit received from the tenant

- c. Is criminal activity
- d. Involves the use, possession or cultivation of a prohibited substance
- e. LLCRHA will follow all applicable laws in the effectuation of each enforcement action.
- f. LLCRHA will immediately notify the Board President of the issuance of the Final Notice of Violation and the enforcement action taken.
- g. The tenant shall receive a copy of the LLCRHA Grievance and Appeals Process and Request for Alternative Dispute Resolution form.

PART VIII: DISCRIMINATION, GRIEVANCE PROCESS, EXEMPTION REQUESTS

Discrimination

The requirements established in this section are designed to ensure that there is a fair and equitable process for addressing owner/tenant or prospective owner/tenant concerns and to ensure fair treatment of owners/tenants in the event that an action or inaction by the LLCRHA Board or members is perceived to adversely affect the owner/tenant of a housing project.

Protected classes in housing include race, color, religion, creed, national origin/ancestry, disability/handicap, sexual orientation (including transgender status), marital status and familial status (children under the age of 18 in the Household).

Any owner/tenant or prospective owner/tenant seeking to purchase or occupy housing administered by the LLCRHA who believes he or she is being discriminated against because of a protected class may file a complaint in person with, or by mail to the U.S. Department of Agriculture's Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW., Washington DC 20250-9410 or to the Office of Fair Housing and Equal Opportunity, U.S. Department of Housing and Urban Development (HUD), Washington, DC 20410, and to the Colorado Department of Regulatory Agencies Civil Rights Division, 1560 Broadway, Suite 110, Denver, CO 80202, and to the LLCRHA Board of Directors at ?

Grievance Process

Any prospective owner/tenant seeking to purchase or occupy housing administered by the LLCRHA, or an existing owner/occupant of housing administered by the LLCRHA, who believes he or she is otherwise aggrieved (the Grievant) may request an alternative dispute resolution process through the LLCRHA Board. Such requests must be made in a timely manner by

delivering the request to the Board President of the LLCRHA within fifteen (15) calendar days of the alleged grievance. The request shall clearly identify the nature and date of the grievance and state if they want a Grievance and Appeals hearing or use a voluntary mediation process, both as described herein.

Grievance and Appeals Hearing

The Board President shall appoint three Board members as the Grievance and Appeals Committee. The Committee shall schedule a hearing with the Grievant within ten (10) calendar days of the request for an alternative dispute resolution.

The Grievant and the LLCRHA may both present to the Committee any exculpatory or inculpatory records, documents and regulations pertinent to the request for the hearing. Both parties shall be given the opportunity to examine all such documents at minimum 48 hours prior to the hearing. Both parties may have legal representation at the hearing.

The Committee shall determine the length of the hearing after review of the documents provided and shall inform the parties of the procedure during the hearing (which party presents first and for how long, comments from any public present, etc.).

There are three possible outcomes from the Committee at the time of the hearing:

- The Committee can rule to uphold the LLCRHA actions/determinations
- The Committee can overrule or modify the LLCRHA actions/determinations
- The Committee can defer their ruling until a future date, not to exceed five (5) business days from the date of the hearing. A final ruling of the Committee will be delivered in writing to the Grievant and LLCRHA.

Voluntary Mediation Process

The LLCRHA will use a voluntary mediation process where the owner/tenant or prospective owner/tenant agrees that any and all claims, controversies, breaches or disputes arising from or related to an action or inaction of the LLCRHA Board is subject to a requirement to mediate prior to filing any lawsuit or filing for arbitration. The mediation shall take place in the County of Lake, State of Colorado utilizing a mediator provided by The Office of Dispute Resolution of the State of Colorado's Judicial Branch ("ODR"). The mediation proceedings will be conducted in compliance with the Colorado Dispute Resolution Act C.R.S. 13-22-301 et seq in effect at the time a demand for mediation is made. The parties to the mediation agree that there is no requirement to actually reach a settlement to the dispute in mediation, but agree that if a settlement is reached during mediation, it shall be reduced to writing and shall be binding upon the parties, their heirs, executors, administrators, successors and assigns.

Exemption Request

A request for an exemption to the strict application of these Guidelines or any terms or conditions of an applicable Deed Restriction may be made to the LLCRHA requested if an unusual hardship can be shown, and the variance from the strict application of the Guidelines is consistent with the Deed Restriction intent. In order to request an exemption, a letter must be submitted to the LLCRHA Executive Director stating the request, with documentation regarding the unusual hardship.

The LLCRHA may grant a request for an exemption to these Guidelines, with or without conditions. If the request is for an exemption to the terms and conditions of the Deed Restriction, the LLCRHA Board President will forward the request and supporting documentation to the jurisdiction that is the beneficiary of the Deed Restriction for a final decision.

PART IX: DEFINITIONS

Affordable - means the amount spent by a Household on rent (utilities included) or mortgage payments (principal, interest, taxes, insurance and any HOA dues) does not exceed 30% of the Household's gross combined income.

Community Housing – Dwelling units restricted by use and occupancy as approved by a member jurisdiction of the LLCRHA or by the LLCRHA itself. A Community Housing unit may be restricted by use, occupancy, resale limitations, retirement restrictions or other limitations to employees of employers, locally working Households, or seniors or Disabled Persons.

Area Median Income or AMI – means the median annual income for the County (or such next larger statistical area calculated by HUD that includes the County, if HUD does not calculate the Area Median Income for the County on a distinct basis from other areas), as adjusted for Household size, that is calculated and published annually by HUD (or any successor index thereto acceptable to the LLCRHA, in its reasonable discretion).

Assets - liquid Assets such as cash in savings, checking or other forms of bank accounts and stocks, bonds or other instruments that can readily be converted to cash. The most recent Assessed Value as provided by the applicable Assessor's Office will be used to determine the value of real estate holdings, regardless of setoffs by encumbrances, costs of sale or holding, or percent of ownership interest. Assets in a qualified retirement plan and other non-liquid Assets such as personal belongings or intangible Assets will not be included in the asset limitations for each income category.

Co-Borrower - a person who is on title for the purpose of obtaining lender approval for a buyer's purchase money mortgage.

County – means the County of Lake.

Deed Restriction - agreements that restrict the use of real estate in some way and are listed or referenced in the deed.

Dependent – means a person, including a spouse of a child of, a step-child or, a child in the permanent legal custody of or a parent of, a Qualified Owner or Qualified Occupant, in each case whose sole place of residence is in the same Household as such Qualified Owner or Qualified Occupant, and who is financially Dependent upon the support of the Qualified Owner or Qualified Occupant. Dependent shall also include any person included within the definition of “Familial Status” as defined in 42 U.S.C. § 3602(k), as that act shall from time to time be amended.

Disabled Person - someone who has a physical or mental impairment that has a substantial and long-term adverse effect on his or her ability to carry out normal day-to-day activities.

Essential Housing – housing that is restricted by land use code, zoning regulations, deed restriction or any other written method that is intended for a particular employment situation and/or income population.

Essential Services – means those services that are absolutely necessary to maintain the health and welfare of the community in Lake County. They include, but may not be exclusive to: executive governance, education providers, emergency healthcare, fire and police protection, basic sanitation including clean water, sewage and garbage removal.

Essential Service Workers – means the personnel needed to maintain Essential Services.

Gross Income - is the sum of all wages, salaries, profits, interest payments, rents, and other forms of earnings, before any deductions or taxes.

Guidelines – means the most recent adopted Lake County Housing Coalition Community Guidelines in effect at the time of closing on a sale or Transfer of a property or at the commencement date of a lease or other occupation agreement, or its successor document, as amended from time to time.

LLCRHA – is the deed restriction administrative body.

Household – means one or more persons who intend to live together on a property as a single housekeeping unit.

Housing Expense – means the amount paid for rent plus utilities, or for the principal, interest, taxes, insurance and any homeowner association dues. It includes all payments necessary to

prevent loss of the right to own or occupy a property through failure to pay in a timely manner.

HUD – means the US Department of Housing and Urban Development.

Maximum Resale Price – means the maximum purchase price that may be paid by any purchaser of a property, other than the initial purchaser who acquires the property from the LLCRHA or a developer, that is determined in accordance with the provisions in Part IV of these Guidelines. The Maximum Resale Price is not a guaranteed price, but merely the highest price an owner may obtain for the sale of the property which includes all considerations paid to the owner.

Non-Occupying Co-Borrower – a person who is on title merely for the purpose of obtaining lender approval for a buyer's purchase money mortgage and whose intent is to not occupy the property.

Non-Qualified Owner – a person or business who does not meet the definition of a Qualified Owner who is allowed to own a property that must be occupied by a Qualified Occupant.

Owner-Occupied – at least one Qualified Owner holding title occupies the property as their primary residence.

Principal/Primary Residence – a property where the occupants reside a minimum of nine (9) per calendar year.

Qualified Employer – means a business, nonprofit, government agency or essential service provider whose business address is located within Lake County, employs persons who reside within Lake County, has fulltime employees who perform work in Lake County, and whose business taxes are paid in Lake County.

Qualified Household – at least one member of the Household is a Qualified Owner.

Qualified Owner – means a natural person who meets the following requirements at the time that he/she takes initial ownership interest or Transfer of interest in a property as qualified by the LLCRHA:

1. Has maintained his/her primary and sole residence in Lake County, Colorado for six (6) consecutive months immediately preceding taking initial ownership or Transfer of interest in a property, or has a verified employment contract with an employer in Lake County that has been accepted by the LLCRHA; and
2. Has earned his/her primary source of income (80% or more of all income earned) working a minimum of 30 hours per week on an annual basis, as documented with the United States Internal Revenue Service, within Lake County and has

- demonstrated such to the LLCRHA, or has a verified employment contract with an employer in Lake County that has been accepted by the LLCRHA; and
3. Except as provided for in Part II Section 2 of these Guidelines, does not own any interest in other improved residential property(s). A purchaser who owns residential real estate must convey all interest in said residential property(s) prior to taking initial ownership of Transfer of interest of a property; and
 4. A Qualified Household shall not have a net worth that exceeds the limits as provided for in Part I Section 3 of these Guidelines; and
 5. Income and asset restrictions are only applicable at the time of purchase and shall be verified by the LLCRHA; and
 6. Shall occupy the property as his/her sole and exclusive primary residence at all times during ownership of the property.

Qualified Occupant - means a person who meets the following requirements at the time he or she takes initial occupancy of the Property as qualified by the Beneficiaries:

1. Has maintained his/her primary and sole residence in Lake County, Colorado for three (3) consecutive months immediately preceding taking initial ownership or Transfer of interest in a property, or has a verified employment contract with an employer in Lake County that has been accepted by the LLCRHA; and
2. Has earned his/her primary source of income (80% or more of all income earned) working a minimum of 30 hours per week on an annual basis, as documented with the United States Internal Revenue Service, within Lake County and has demonstrated such to the LLCRHA, or has a verified employment contract with an employer in Lake County that has been accepted by the LLCRHA; and
3. Does not own any interest in other improved residential property(s). An occupant who owns residential real estate must convey all interest in said residential property(s) prior to taking initial occupancy of a property; and
4. A Qualified Household shall not have a net worth that exceeds the limits as provided for in Part I Section 3 of these Guidelines; and
5. Income and asset restrictions are only applicable at the time of initial occupancy and shall be verified by the LLCRHA.
6. Shall occupy the property as his/her sole and exclusive primary residence at all times during occupancy of the property.

Seasonal Employee - shall mean an employee who is hired into a position for which the period of employment is six months or less.

Seasonal Housing Unit - shall mean a dormitory-style unit with a shared kitchen, bath and living room with a minimum of two private bedrooms and a maximum of four private bedrooms containing a minimum of 220 square feet of living space per bedroom intended primarily for occupancy by Seasonal Employees

Transfer - means an act of a party, or of the law, by which the title to a property is wholly or partially Transferred to another; including but not limited to the sale, assignment voluntary, involuntary or by operation of law (whether by deed, contract of sale, gift, devise, bequest, trustee's sale, deed in lieu of foreclosure, or otherwise) of any interest in the property, including but not limited to a fee simple interest, a joint tenancy interest, a tenancy in common, a life estate, a leasehold interest or any interest evidenced by a land contract by which possession of the property is Transferred and owner retains title, except that, this definition does not include any Transfer of an interest by the LLCRHA.

If reviewed and approved in writing by the LLCRHA prior to occurrence the following Transfer(s) are exceptions to the definition, provided that the new owner, other than an estate, shall use the property as his/her principal residence:

1. A Transfer resulting from the death of an Owner where the Transfer is to the spouse or domestic partner who is also a Qualified Owner.
2. A Transfer resulting from a decree of dissolution of marriage or legal separation or from a settlement incidental to such a decree by which a Transfer is made to a spouse who is also a Qualified Owner.

Tier(s)- a structure designated by LLCRHA to outline how community members will qualify for Community Housing.

Vacant Property – a home that is no longer occupied as a principal residence by the owner for a period of 90 consecutive days, or a property that is unoccupied by a Qualified Occupant for a period of 90 consecutive days.