

SDC Waiver for Affordable Homeownership Housing

Compliance Pathways Explanation

The System Development Charges (SDC) waiver is available under two compliance pathways (see Program Guidelines for details). The compliance pathways are two different ways in which an application could be approved for a waiver of City SDCs under this program.

Option A – Ongoing Affordability Requirement

To be found eligible under the Option A pathway, the applicant must have an *approved affordability requirement* in place. To be considered an *approved affordability requirement*, the documentation must be reviewed by the City Attorney’s Office and found to comply with program guidelines.

Below are two examples of documentation an applicant might use to secure the affordability of a housing unit in an on-going basis (for at least five years) and be approved for a SDC waiver under Option A. Other forms of documentation that secure affordability over time may be accepted by the City as an *approved affordability requirement*. Applications that are found eligible under Option A will be awarded the SDC waiver as a grant.

Example 1: Conventional Home Ownership on a Land Trust

The housing available for purchase uses a conventional home ownership model where the homebuyer purchases the housing unit, generally with a typical mortgage. To make that housing unit affordable to low-income homebuyers, it is located on land in a land trust, which is owned by a non-profit.

In a land trust, the leasing entity retains ownership of the land, while the homeowner owns the housing on the land. This separation of ownership allows for homes to be sold at lower prices because the sale price for the home does not include the value of the land. By owning the land, the non-profit can make sure the housing unit is resold to low-income households.

Under this example, affordability of the housing unit is enforced with a recorded ground lease. Homebuyers own their home and lease the underlying land from the non-profit. The ground lease includes requirements affecting the transfer of the lease/sale of the home to ensure that a new homeowner meets the required household income limits.

Document	Description
Ground Lease	The lease defines an income qualified person or household as one whose income does not exceed 80% of the area median income (AMI) and includes a goal that the lessee is a low-income buyer who would not be able to purchase the home without the non-profit’s assistance.
	The lease term is 99 years , creating long-term affordability. If the non-profit sells the land, the terms state the lease would remain binding and the land would be transferred to an entity with similar affordable housing goals.
	The lease requires the homeowner and/or approved household members to occupy the unit full-time .

	It restricts transfer or sale of the home only to the non-profit or an income-qualified household (80% AMI limit) with the non-profit's permission.
	It requires the homeowner to agree to restrict the sale price of the house so it will be affordable to other low-income households in the future.

Example 2: Co-Operative Housing on a Land Trust

Homebuyers purchase a “share” in a housing co-operative (co-op). A co-op is a shared homeownership structure where homebuyers collectively own and control the housing they live in by purchasing a membership share in the co-op. The co-op housing is located on land in a land trust (like Example 1), allowing the homes to be sold at lower prices because the sale price for the home does not include the value of the land.

Under this example, the affordability of the co-op is enforced through several recorded documents. Collectively, these documents would be reviewed by the City Attorney as the *approved affordability agreement*.

Document	Description
Articles of Incorporation	This document incorporates the co-op with the State of Oregon and includes a stated purpose of ownership and management of permanently affordable housing. It prevents a membership in the co-op from being transferred except as provided in the co-operative bylaws and ground lease. The articles limit membership in the co-op to households whose income does not exceed 80% AMI .
Ground Lease	The housing co-op leases the land owned by the non-profit. The ground lease includes terms that help to enforce the affordability of the housing. The ground lease further enforces the income level households must meet to live in the co-op and creates long-term affordability through a 99-year lease period .
Co-operative Bylaws	The bylaws govern how the co-op and its memberships are run. To qualify for membership, a household income must not exceed 80% of the AMI and the household must occupy the house as their full-time, permanent residence . To resell a membership, the co-op Board must approve the sale, which must be to a qualified household who meets the co-operative's income restrictions.

Option B – Verified Affordable Price

To be found eligible under the Option B pathway, before closing on the property with the buyer, the applicant must submit documentation to the City for verification that the unit is being sold to a *qualified homebuyer* at an *affordable price*, as defined in the program guidelines.

The applicant must report the income of all household members ages 18 and over who will live in the house to the City and provide documentation to verify that income (such as tax returns, benefit award letters, or paycheck stubs). The City will determine if the buyer’s household income is at or below 80% AMI (*income-qualified household*).

The City will also require the applicant to submit the buyer’s monthly housing costs (e.g. payments for mortgage, taxes, insurance) for verification that these expenses do not exceed 35% of the buyer’s gross household monthly income. The City verifies that the sales price does not result in a monthly payment for housing that is unaffordable for the buyer.

Below is an example of how a developer could meet the program requirements for approval of a SDC waiver under Option B. Applications that are found eligible under Option B will be awarded the SDC waiver as a loan forgivable over five years.

Example 3: Conventional Sale to Income-Qualified Buyer at Affordable Price

Housing Sale and Loan Terms	
Sales Price	\$220,000
Buyer’s Down Payment	\$13,800 (around 6% of total)
Loan Amount	\$206,200
Interest Rate	3.75%
Loan period	30 years
Housing Expense	Dollar Amount
Mortgage principal and interest	\$955/month
Hazard Insurance	\$38/month
Property Taxes	\$192/month
Mortgage insurance	\$144/month
Total monthly cost for housing	\$1,329/month

For this house to meet the program’s definition of *affordable price*, the buyer’s monthly housing costs of \$1,329 could not exceed 35% of their gross household monthly income. This would require the buyer to have a monthly household income of at least \$3,797, which is an annual household income of at least \$45,564 (\$3,797 x 12 months).

For the buyer to meet the program’s definition of an *income-qualified household*, their annual income could not exceed the program’s income limit of 80% AMI based on household size. The 2022 80% AMI income limit for a household of one is \$44,600, so the buyer would need to have a household size of at least two to meet both the *affordable price* and *income-qualified household* program requirements.