



INCLUSIONARY HOUSING REGULATIONS OWNERSHIP HOUSING DEVELOPMENT



**Ordinance No. 2402 and Resolution No. 7621
Approved by City Council on April 1, 2025**

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I. INTRODUCTION

This Inclusionary Housing Regulations document describes the affordable housing requirements imposed on Ownership Residential Projects by the following Municipal Code chapters:

1. Development Code Section 9103.16 Inclusionary Housing Program; and
2. Development Code Section 9103.15 Density Bonus Program.

This document shall also be applicable to any Ownership Residential Project that includes affordable housing units, including but not limited to those subject to the Inclusionary Housing Program and/or the Density Bonus Program.

For a graphic representation of how the Inclusionary Housing Program requirements will be applied, and the options for providing the required Affordable Units, please refer to the Inclusionary Housing (Ordinance 2402) Flow Chart provided in Attachment 1.

II. DEFINITIONS OF TERMS

The following words, terms and phrases are used in this Inclusionary Housing Regulations document and Attachments, as follows, unless the particular context or usage of a word, term or phrase requires another interpretation.

“Adult” means a person 18 years of age or older.

“Affordability Gap” is equal to the difference between the Fair Market Value of an Affordable Unit and the Affordable Sales Price for that Affordable Unit at the time of acquisition by a Homebuyer.

“Affordability Period” shall be set at 45 years from the date an Inclusionary Housing Covenants Declaration is recorded on legal title to the Affordable Unit.

“Affordable Housing Agreement” means the legally binding agreement between a Developer and the City, in a form and substance satisfactory to the City Manager and City Attorney and suitable for recording, setting forth those provisions necessary to ensure that the requirements of Development Code Sections 9103.16 and/or 9103.15, as pertinent, are and will continue to be, satisfied.

“Affordable Housing Cost” is calculated using the HSC Section 50052.5 methodology. The pertinent percentages of AMI identified in the following table, as adjusted for Household Size Appropriate for the Unit, are multiplied times 35% for Moderate Income Units and multiplied times 30% for Low Income Units and Very Low Income Units:

Income Category	Inclusionary Housing Program	State Density Bonus
Percentage of AMI		
Moderate Income	110%	110%
Low Income	NA	60%
Very Low Income	NA	50%

The Affordable Housing Cost calculation methodology is described in Section VI-B of this Inclusionary Housing Regulations document.

“Affordable Housing Plan” means the plan containing all the information specified in and submitted in conformance with the requirements imposed by Development Code Section 9103.16.090(A).

“Affordable Housing Trust Fund” means the fund established pursuant to Development Code Section 9103.16.050(B). Any In-Lieu Fees or Equity Share payment collected as a result of the requirements of Development Code shall be deposited in the City’s Affordable Housing Trust Fund to be used exclusively to develop and retain the supply of housing affordable to Extremely Low, Very Low, Low, and Moderate Income Households.

“Affordable Sales Price” means the maximum price that can be charged for an Affordable Unit. The Affordable Sales Price is equal to the lesser of:

1. The sum of the Supportable Mortgage plus the Benchmark Down Payment; or
2. The purchase price prospective buyers are willing to pay in return for purchasing a home that is subject to restrictive covenants.

The Affordable Sales Prices for Affordable Units shall be adjusted quarterly.

“Affordable Unit” means a dwelling unit that is designated to meet the requirements set forth in Development Code Sections 9103.16 and/or 9103.15. An Affordable Unit must be made available at an Affordable Sales Price to eligible Moderate Income, Low Income, or Very Low Income Households, as applicable to the Affordable Unit.

“AMI” means the area median income for which the area is defined as Los Angeles County. The AMI is adjusted for household size, as published periodically in the California Code of Regulations, Title 25, Section 6932, or its successor provision, or as established by the City in the event that such median income figures are no longer published in the California Code of Regulations.

“Appraiser” means an independent licensed appraiser who is a member of the American Institute of Real Estate Appraisers (or in case such professional designation is modified or discontinued, the most nearly equivalent designation) with at least ten (10) years of experience appraising property similar to the dwelling unit.

“Appreciation” means the difference in dollar amount between the Net Resale Price of the Affordable Unit, as defined in the Inclusionary Housing Regulations, at the time it is sold by the initial purchaser and the Fair Market Value of the Affordable Unit at the time of the original sale.

“Base Density” means the maximum number of dwelling units allowed per acre of land within each land use category designated in the General Plan.

“Benchmark Down Payment” means the down payment amount that is used solely for calculation of the Affordable Sales Price of an Affordable Unit. The Benchmark Down Payment shall be set at 5% of the Affordable Sales Price.

“Building Permit” means full structural Building Permits as well as partial permits such as foundation only permits.

“Certificate of Occupancy” means the permit issued by the City’s Building Division authorizing the initial occupancy of a residential unit, including a temporary certificate of occupancy.

“City” means the City of Arcadia, California.

“City Approvals” are defined as the entitlement approvals for the Ownership Residential Project and, as applicable, the Affordable Housing Plan that must be approved by the Development Services Director prior to the issuance of Building Permits for the Ownership Residential Project.

“City Council” means the City of Arcadia City Council.

“City Deed of Trust” means a deed of trust that secures the City Shared Appreciation Loan Agreement, which secures the Homebuyer’s obligation to repay the City Shared Appreciation Loan pursuant to the terms of the City Promissory Note and the City Shared Appreciation Loan Agreement, and to comply with the Homebuyer’s obligations under the Inclusionary Housing Covenants Declaration.

“City Manager” means the City of Arcadia City Manager or designee.

“City Principal” means the difference between the Fair Market Value of the Affordable Unit at the time of the initial sale of the Affordable Unit and the Affordable Sales Price actually paid by the initial purchaser for that Affordable Unit as a consequence of the requirements set forth in Development Code Section 9103.16.

“City Promissory Note” means the promissory note that evidences the City Shared Appreciation Loan executed by the Homebuyer.

“City Shared Appreciation Loan” means the City loan provided to the Homebuyer in an amount equal to the Affordability Gap for the Affordable Unit. The Homebuyer acknowledges that the key financial characteristics of the City Shared Appreciation Loan are as follows:

1. The City Shared Appreciation Loan has not actually been provided in cash to the Homebuyer, but rather, represents a credit to the sales price for the Affordable Unit.
2. The amount of the credit to the sales price for the Affordable Unit is equal to the City Principal.
3. The City Shared Appreciation Loan will not bear interest, and no payment will be due except upon an Event of Acceleration. Upon such Event of Acceleration, the Homebuyer shall repay to the City, the City Principal plus the portion of the Equity Sharing Payment Obligation, if any, that is due in accordance with the terms of the City Shared Appreciation Loan Agreement.
4. Upon repayment of the City Shared Appreciation Loan and the portion of the Equity Sharing Payment Obligation, if any, that is due when the Inclusionary Unit is resold, the City Shared Appreciation Loan shall be extinguished in accordance with the terms of the City Promissory Note.

“City Shared Appreciation Loan Agreement” means the agreement that evidences and implements the City Shared Appreciation Loan.

“City Share of Appreciation” means a proportionate share of the Appreciation of each Affordable Unit based on the City Principal to be paid to the City at the time of resale of an Affordable Unit by the initial purchaser in accordance with the City Shared Appreciation Loan Agreement. The City Share of Appreciation is calculated as a percentage of the Appreciation that is equal to the ratio of the City Principal to the Fair Market Value of the Inclusionary Unit at the time of initial sale.

“Condominium Conversion” means converting an existing market rate condominium and apartments into affordable housing. Converted condominiums and apartments shall be offered for sale to extremely low income households, very low income households, low income households, moderate income households, or workforce households at the Affordable Sales Price in compliance with Development Code Sections 9103.16 and/or 9103.15, as pertinent.

“Contiguous Property” means any parcel of land that is:

1. Touching another parcel at any point; or
2. Separated from another parcel at any point only by a public right-of-way, private street or way, or public or private utility, service or access easement; or
3. Separated from another parcel only by other real property of the Developer which is not subject to the requirements of Development Code Sections 9103.16 and/or 9103.15, as pertinent, at the time the Planning Entitlement application by the Developer.

“Default” means the failure of a Party to perform any action or covenant as defined in the Affordable Housing Agreement.

“Density Bonus Units” means dwelling units approved in an Ownership Residential Project pursuant to State Density Bonus Law that are in excess of the maximum allowable residential density otherwise permitted by the General Plan or Zoning Ordinance.

“Developer” means a person, persons, or entity that applies to the City for one or more discretionary or residential permits required for a proposed Ownership Residential Project. This also includes the owner or owners of the property if the Developer does not own the property on which the Ownership Residential Project is proposed.

“Development Agreement” means an agreement approved by the City Council between a property owner and the City pursuant to Government Code Section 65864, et seq.

“Development Code” means Article IX, Chapter 1 of the Arcadia Municipal Code.

“Development Services Director” means the City of Arcadia Development Services Director or designee.

“Discretionary Approval” means any entitlement or approval, including but not limited to a use permit, variance, design approval, and subdivision map.

“Effective Date” means the date on which the Affordable Housing Agreement is approved and executed by appropriate authorities of the Developer and the City. No Building Permits shall be issued prior to the Effective Date.

“Eligible Purchaser” means a prospective purchaser who meets the eligibility criteria set forth in Section IV of this Inclusionary Housing Regulations document.

“Equity Sharing Obligation” means an amount equal to a share of the appreciation in the value of the Affordable Unit determined by multiplying the Equity Sharing Percentage times the Net Resale Proceeds.

“Events of Acceleration” include the following:

1. The resale, transfer, assignment, disposition, alienation, encumbrance, hypothecation, or lease of all or any portion of any interest in the Affordable Unit, whether direct, indirect, voluntarily, involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure, or deed in lieu of foreclosure, except for an Exempt Transfer or any transfer which under federal law would not, by itself, permit the City to exercise a due on sale or due on encumbrance clause; or
2. Any refinancing of the lien securing the Senior Loan that is not expressly approved in writing by the City pursuant to Inclusionary Housing Regulations; or
3. If or when the Homeowner ceases to occupy the Affordable Unit as the Homeowner’s Primary Residence; or
4. The Homeowner is in default of any other obligation under the City Loan Agreement, the City Promissory Note, the City Deed of Trust, or the Inclusionary Housing Covenants Declaration, or any obligations under any documents relating to any other financing that is secured by the Affordable Unit, and fails to timely cure such default under the terms of the applicable agreement if there is a cure period; or
5. The Homeowner has made any material misrepresentation or misstatement of any information, or provided any false, misleading or incorrect information to the City.

“Exempt Transfer” means the following:

1. A transfer resulting from the death of the Homeowner.
2. A transfer by the Homeowner where the spouse or domestic partner becomes a co-owner of the Affordable Unit.
3. A transfer of title to a spouse or domestic partner as part of divorce or dissolution proceedings.

4. A transfer by the Homeowner into a trust in which the Homeowner is the beneficiary, provided that the Homeowner continues to maintain the Affordable Unit as their Primary Residence.
5. A transfer by the Homeowner of a non-possessory interest in the Affordable Unit, such as an easement or license for utilities or other like purposes; the granting of ingress or egress rights over or across the Affordable Unit or a portion thereof; or a modification to the non-exclusive common area rights of the Homeowner.
6. A condemnation, or conveyance in lieu of condemnation, that does not preclude the Homeowner's continued use and occupancy of the Affordable Unit, such as a street widening or other incidental taking that does not preclude continued occupancy of the Affordable Unit, or a taking of an interest in a portion of the common area appurtenant to the Affordable Unit.

"Extremely Low Income Household" refers to a Household whose income does not exceed the qualifying limits for extremely low income families as established and amended from time to time for Los Angeles County pursuant to Section 8 of the United States Housing Act of 1937. The income limit for Extremely Low Income Households is published and periodically updated by HCD pursuant to HSC Section 50106.

"Fair Market Value" means the Fair Market Value of an Affordable Unit at the time of purchase of that dwelling unit without regard to any restrictions on sales price, as substantiated by an appraisal in a form and substance and by an Appraiser acceptable to the City.

"General Plan" means the adopted General Plan for the City of Arcadia.

"Gross Income" means all income from whatever source from all Adult Household members, which is anticipated to be received during the 12-month period following the date of the determination of Gross Income. The applicable sources of income are defined in California Code of Regulations Title 25 Housing and Community Development Section 6914.

"HCD" means the California Department of Housing and Community Development.

"Hearing Officer" means a neutral person that is designated by the City Manager. The Hearing Officer's responsibilities are to conduct hearings, to make findings, and to issue determinations regarding appeals to determinations made by the Development Services Director in response to appellants' complaints concerning the affordable housing requirements.

“HOA” means Homeowners Association.

“Homebuyer” means the purchaser of an Affordable Unit as vested on title to the Affordable Unit. The Homebuyer shall enter into a City Shared Appreciation Loan Agreement; the City Shared Appreciation Loan; a City Promissory Note and a City Deed of Trust.

“Homebuyer Education Course” means an eight-hour live group or individual online course that provides instruction on general home ownership issues.

“Homebuyer Purchase Price” means the original price paid by the Homebuyer to purchase the Affordable Unit, exclusive of any closing or transaction costs. The Homebuyer Purchase Price shall not exceed the Affordable Sales Price.

“Homeowner” means the owner of an Affordable Unit as vested on title to the Affordable Unit.

“Household” means all the persons who will occupy the Affordable Unit as their Primary Residence. A child who is subject to a legally binding shared-custody agreement, in which the child resides with the Household at least 50% of the time, is counted as a member of the Household. Excluded from the definition of Household are live-in caregivers/caretakers, foster children, unborn children and children being pursued for legal custody or adoption that are not currently living with the Household.

“Household Size Appropriate for the Unit” means a household size equal to the number of bedrooms in the unit plus one. For example, this equates to three persons in the case of a two-bedroom unit. This household size standard is solely used in the Affordable Sales Price calculation. It is neither an occupancy minimum nor a maximum.

“HSC” means the California Health and Safety Code.

“Inclusionary Housing Covenants Declaration” means a Declaration of Inclusionary Housing Covenants, Conditions and Restrictions Agreement that defines the covenants imposed by the City on the Affordable Units.

“Inclusionary Housing Program” means the program that details the affordable housing requirements imposed by Development Code Section 9103.16.

“Inclusionary Housing Regulations” means this Inclusionary Housing Regulations document: Ownership Residential Project and Attachments that have been prepared by the City for the implementation and administration of Development Code Sections 9103.16 and 9103.15. Each

Developer of an Ownership Residential Project that is subject to the Development Code Sections 9103.16 and/or 9103.15 requirements will be provided with a copy of the Inclusionary Housing Regulations when an Affordable Housing Agreement is executed.

“In-Lieu Fee” refers to a fee paid by a Developer to the City’s Affordable Housing Trust Fund in lieu of constructing Affordable Units. Payment of In-Lieu Fees shall be allowed as an option pursuant to Development Code Section 9103.16.050(B). Resolution 7621: In-Lieu Fee Resolution is presented in Attachment 4 of these Inclusionary Housing Regulations, and sample in-lieu fee calculations are provided in Attachment 5 – Exhibit C, of these Inclusionary Housing Regulations. The Development Services Department adjusts the In-Lieu Fee schedule annually on July 1st.

“Low Income Household” refers to a Household whose income does not exceed the qualifying limits for lower income families as established and amended from time to time for Los Angeles County pursuant to Section 8 of the United States Housing Act of 1937. The income limit for Low Income Households is published and periodically updated by HCD pursuant to HSC Section 50079.5.

“Low Income Unit” is a dwelling unit that is required to be sold to a Low Income Household at an Affordable Sales Price.

“Market Rate Ownership Residential Project” means an Ownership Residential Project that is subject to the Inclusionary Housing Program Requirements.

“Market Rate Unit” means a dwelling unit in the Ownership Residential Project that can be purchased at market rates. These units are not considered to be Affordable Units.

“Moderate Income Household” shall have the same definition of “persons and families of low or moderate income” as set forth in HSC Section 50093. The income limit for Moderate Income Households is published and periodically updated by HCD pursuant to HSC Section 50093.

“Moderate Income Unit” is a dwelling unit that is required to be sold to a Moderate Income Household at an Affordable Sales Price.

“Municipal Code” refers to the Arcadia, California Municipal Code.

“Notice of Intent to Transfer” means the form that must be submitted to the City in accordance with the requirements imposed by the Inclusionary Housing Covenants Declaration.

“Notice of Resale” means the form that must be submitted to the City in accordance with the requirements imposed by the Inclusionary Housing Covenants Declaration.

“Off-site Construction” means the development of the required number of Affordable Units at a site different than the site of the Ownership Residential Project.

“Ordinance No. 2402” means the Ordinance adopted by the City Council related to Text Amendment TA 25-01 adding a new section 9103.16 to the Development Code pertaining to an Inclusionary Housing Ordinance and associated In-Lieu Fee.

“Ownership Residential Project” means a subdivision, a development project, and/or a condominium conversion project resulting in the creation of ten (10) or more dwelling units.

“Ownership Residential Project CC&Rs” means the Declaration of Covenants, Conditions and Restrictions of the Ownership Residential Project recorded or to be recorded against the entirety of the Ownership Residential Project and applicable to the Affordable Unit and the Homeowner.

“Party and Parties” means the City and the Developer as parties to the agreements required to implement the activities required by Development Code Sections 9103.16 and/or 9103.15, as applicable.

“Phasing Plan” means a detailed plan provided by a Developer that outlines each segment or phase of construction including housing units and site improvements to be developed in a new Ownership Residential Project.

“Planning Entitlement” means any discretionary approval of an Ownership Residential Project including, but not limited to, a general or specific plan adoption or amendment, rezoning, tentative map, parcel map, conditional use permit, variances, or design review.

“Primary Residence” is defined as the principal place of residence of the Homeowner, and the only home that is occupied by the Homeowner.

“Prohibited Transfers” specifically include any transfer of a use, rental or leasehold interest in the Affordable Unit.

“Program Summary & Pre-Application Checklist” is a form created by the City that is to be used as a preliminary self-qualification tool by prospective Homebuyers. The Program Summary & Pre-Application Checklist shall be updated quarterly, and provided to developers with active Ownership Residential Projects.

“Qualified Capital Improvements” mean and include any City approved capital expenditures paid for by the Homeowner to improve or restore the Affordable Unit. Generally, capital expenditures are defined as additions and other improvements that have a useful life of more than one year. Examples of acceptable capital improvements are provided in Internal Revenue Service Publication 523 ‘Selling Your Home’. Within 60 days following completion of each capital improvement for which the Homeowner is seeking City approval, the Homeowner shall submit to the City proof of completion and proof of cost for the capital improvement.

“Resale” means the resale of the Affordable Unit by the Homeowner. Prior to the Resale of the Affordable Unit, the Homeowner must submit a Notice of Resale to the City.

“Resale Price” means the Affordable Sales Price at the time of each resale of the Affordable Unit during the Affordability Period.

“Residential Purchase Agreement” means a binding contract between the Developer and the Homebuyer for the ownership transfer of the Affordable Unit. The Residential Purchase Agreement outlines the terms and conditions agreed to by both the Developer and the Homebuyer.

“Saleable Area” means the total square footage of the Ownership Residential Project multiplied times the area within the exterior walls of the residential units. Saleable Area does not include exterior hallways, common areas, garages, landscape, open space or exterior stairways.

“Senior Lender” means a bank, savings and loan association, insurance company, pension fund, publicly traded real estate investment trust, governmental agency, charitable organization or other governmentally regulated entity regularly engaged in making residential real estate loans.

“Senior Loan” means a purchase money loan of funds to be used by the Homebuyer for financing the acquisition of the Affordable Unit, or a refinancing approved by the City, which loan is in a lien position prior to the Inclusionary Housing Covenants Declaration.

“State Density Bonus Law” means the density bonus provided by the State of California under Government Code Section 65915 et seq. and codified in the City Density Bonus Ordinance (Development Code Section 9103.15).

“Subordinate Lender” refers to the City as the provider of the City Loan, and as the secured party under the City Deed of Trust.

“Supportable Mortgage” means the mortgage amount that can be supported by a Moderate, Low or Very Low Income Household based on the Affordable Housing Cost calculations. The mortgage calculation is based on the prevailing market interest rate for a 30-year fully amortizing mortgage with a fixed interest rate. See Section VI-B of this Inclusionary Housing Regulations document for an explanation of the calculation methodology.

“Total Housing Costs” means and includes all of the following costs associated with ownership of an Affordable Unit as defined in Title 25 of the California Code of Regulations Section 6920:

1. Principal and interest on a mortgage loan at the defined interest rate;
2. Property tax and assessments;
3. Fire and casualty insurance covering the replacement value of the Affordable Unit;
4. Maintenance and repairs;
5. A reasonable utility allowance, as determined by the City; and
6. Homeowner Association assessments and dues.

“Very Low Income Unit” is a dwelling unit that is required to be sold to a Very Low Income Household at an Affordable Sales Price.

III. INCLUSIONARY HOUSING PROGRAM SUMMARY

A-1. BASIC REQUIREMENTS

Applicability

The Development Code Section 9103.16. requirements apply to any Ownership Residential Projects that would create 10 or more new or additional dwelling units by:

1. The construction or alteration of structures; or
2. The conversion of a rental residential use to a for-sale condominium use.
3. Restriction on Rental and Subleasing of Affordable Homeownership Units
4. Upon approval of the Project as an Ownership Residential Project and recordation of the final subdivision map, each affordable ownership unit shall be subject to an owner-occupancy requirement.
5. The record owner of an affordable ownership unit shall occupy the unit as the owner's principal place of residence and shall not lease, rent, sublease, license, or otherwise permit occupancy of the unit by any person or entity other than the owner, except as may be expressly authorized in writing by the administering agency under limited hardship circumstances established by applicable program guidelines.
6. This owner-occupancy restriction shall become effective upon recordation of the final subdivision map and shall run with the land, binding all current and future owners of the affordable ownership units for the duration of the applicable affordability restrictions or regulatory agreement.

Exemptions

Development Code Section 9103.16.070 exempts the following Ownership Residential Projects from the Inclusionary Housing requirements:

1. Ownership Residential Projects that include nine or fewer dwelling units.
2. Ownership Residential Projects that obtained entitlement approvals prior to the July 1, 2025 effective date of Ordinance No. 2402.

3. As determined by the Development Services Director, the reconstruction of any structures that have been destroyed by fire, flood, earthquake, or other act of nature provided that the reconstruction of the site does not increase the number of dwelling units by 10 or more.
4. Building additions, repairs or remodels, provided such work does not increase the number of dwelling units on the site by 10 or more.
5. Ownership Residential Projects that are exempt from the Inclusionary Housing Program requirements by State law.
6. Dwelling units approved as accessory dwelling units or junior accessory dwelling units.

Income and Affordability Standards

1. The affordable housing obligation imposed by Development Code Sections 9103.16 and 9103.15 are measured as a percentage of the number of the units allowed to be developed under the development site's Base Density standards.
2. Development Code Section 9103.16.040 requires that at least 5% of the dwelling units in an Ownership Residential Project must be sold to Moderate Income Households.
3. The Affordable Units must be legally restricted to ownership and occupancy by Households that qualify for the income category designated for that particular Affordable Unit.¹

A-2. ON-SITE DEVELOPMENT OF AFFORDABLE UNITS

1. Development Code Section 9103.16.080(A-E) imposes the following development standards requirements on Affordable Units that are produced on site within an Ownership Residential Project:
 - a. The required number of Affordable Units in an Ownership Residential Project or phases of an Ownership Residential Project must be constructed before the City will issue a Certificate of Occupancy for the entire development or phase of the development as pertinent.

¹ Developers of Ownership Residential Projects that are using the State Density Bonus Law can voluntarily choose to fulfill the Moderate Income Inclusionary Housing requirement with Low Income Units or Very Low Income Units.

- b. All of the Affordable Units must be reasonably dispersed throughout the Ownership Residential Project unless approval for an off-site location has been granted by the City.
 - c. The Affordable Units must contain the same number of bedrooms and bedroom sizes as the Market Rate Units in the Ownership Residential Project. The unit mix for the bedroom count must also be proportional to the unit mix of the Market Rate Units in the Ownership Residential Project.
 - d. The materials and finished quality of the Affordable Units must be comparable to those of the Market Rate Units in the Ownership Residential Project.
 - e. Residents of the Affordable Units must be provided with the same access to amenities as is provided to residents of the Market Rate Units in the Ownership Residential Project.
 - f. An Affordable Unit must remain affordable for one cumulative 45-year period or until the Affordable Unit is sold or transferred in accordance with the City Shared Appreciation Loan terms, whichever occurs first.
2. Development Code Section 9103.16.090(A) requires Developers proposing to construct Ownership Residential Projects that are subject to the Inclusionary Housing Program requirements to prepare an Affordable Housing Plan that adheres to the following requirements:
- a. An application for an Ownership Residential Project must include an Affordable Housing Plan that describes the manner in which the development will comply with the requirements imposed by Ordinance No. 2402.
 - i. The Development Services Director has review and approval authority over the Affordable Housing Plan submittal.
 - ii. No application for an Ownership Residential Project will be deemed complete unless the Affordable Housing Plan submittal conforms to the requirements imposed by Ordinance No. 2402.
 - iii. The City may attach conditions of approval to an Affordable Housing Plan if deemed necessary.

- b. An approved Affordable Housing Plan may be amended prior to the issuance of any Building Permits for the Ownership Residential Project or a phase of an Ownership Residential Project:
 - i. A request for a minor alteration may be granted by the Development Services Director if the proposed modification substantially complies with the original Affordable Housing Plan submittal.
 - ii. If significant alterations are requested, the City may require the Developer to submit a new Affordable Housing Plan.
- c. The format for an Affordable Housing Plan is presented in Attachment 5 – Exhibit A. The Affordable Housing Plan must include, but not be limited to the following:
 - i. The number of Affordable Units proposed to be provided, including the supporting calculations;
 - ii. The proposed locations of the Affordable Units;
 - iii. The affordability level(s) for the Affordable Units;
 - iv. The square footage, and number of bedrooms for the Market Rate Units and the Affordable Units in the Ownership Residential Project;
 - v. Identification and descriptions of the amenities and services proposed to be provided, such as common areas, parking, laundry rooms, fitness centers, and other facilities proposed to be provided;
 - vi. A construction schedule for all of the dwelling units in the Ownership Residential Project;
 - vii. Alternative means of compliance with the Inclusionary Housing Program requirements, if applicable;
 - viii. Incentives being requested, if applicable; and
 - ix. Evidence to justify any requested assistance or incentive, if applicable.

A-3. ALTERNATIVE COMPLIANCE PROCEDURES

Development Code Section 9103.16.050 allows the Inclusionary Housing production obligations to be fulfilled in one of the following alternative manners.

Off-Site Construction Alternative

Development Code Section 9103.16.050(A) provides Developers with option of fulfilling the Inclusionary Housing production requirement in an off-site location. The requirements associated with this alternative are detailed in Attachment 5 – Exhibit B.

In-Lieu Fees

Development Code Section 9103.16.050(B) describes the characteristics of the In-Lieu Fee payment alternative. The salient features are described below, and specifics are detailed in Attachment 5 - Exhibit C. This Exhibit also presents examples of the In-Lieu Fee calculation methodology.

1. None of the In-Lieu Fee payment alternatives are available to an Ownership Residential Project that is making use of the State Density Bonus Law.
2. Ownership Residential Projects of any size that are subject to the Inclusionary Housing Program requirements have a by-right ability to pay a fee in lieu of producing the Affordable Units required by the Inclusionary Housing Program.
3. Ownership Residential Projects that have the obligation to provide a fractional number of Affordable Units have a by-right ability to pay a fee in lieu of producing an additional Affordable Unit.
4. The In-Lieu Fee payment amount is based on a fee schedule that the City Council adopted by Resolution No. 7621, which went into effect on July 1, 2025. The In-Lieu Fee payment amount will be administratively updated annually on July 1st by the Development Services Department.
5. In-Lieu Fees shall be paid prior to the issuance of the first Building Permit for the Ownership Residential Project. For phased developments, the Developer may pay a pro rata share of the In-Lieu Fee concurrently with the issuance of Building Permits for each development phase.

A-4. INCENTIVES

Developers that are constructing Ownership Projects under the auspices of the State Density Bonus are entitled to use the incentives and concessions provided in Section 65915(d)(1).² These Ownership Projects also qualify for the development standards waivers provided in Section 65915(e)(1).

Development Code Section 9103.16.060 identifies incentives that Developers may request from the City to mitigate financial impacts created by the Inclusionary Housing Program.³ The incentives under this program are provided to Ownership Projects that are subject to the Inclusionary Housing requirements, and that are not using the State Density Bonus. At the City's discretion, incentives that are potentially available for use by this type of Ownership Project are outlined in the following table:

² State Density Bonus Law does not differentiate between "incentives" or "concessions". Hereafter in this Inclusionary Housing Regulations document they will collectively be referred to as concessions.

³ These incentives are separate and apart from any incentives and concessions that are available to developers under the auspices of State Density Bonus Law.

Types of Incentives and Review Authority		
Incentives	Review Authority	Special Provisions
Streamlined Entitlement Plan Check & Building Check review	Development Services Director	May also include pre-application meetings.
Deferral of Developer Impact Fee payments	Development Services Director	Such deferred impact fees must be paid prior to issuance of a Certificate of Occupancy
Partial or full waiver of Building Permit fees	Development Services Director	None
Partial or full waiver of required development fees	Planning Commission	None
Reasonable Alternatives	Planning Commission	City Council approval is required if the requested alternative has budgetary implications for the City

III-B. Affordable Housing Trust Fund

The Affordable Housing Trust Fund is a separate City fund established for the specific purpose of developing and retaining the supply of housing affordable to Extremely Low, Very Low, Low and Moderate Income Households. All in-lieu fees collected pursuant to Ordinance No. 2402 shall be placed in the Affordable Housing Trust Fund in addition to relevant revenues generated by the Affordable Housing Trust Fund, repayment of City Shared Appreciation Loans, and any penalties related to enforcement of Ordinance No. 2402. Monies deposited in the Affordable Housing Trust Fund may only be used for affordable housing purposes approved by the City Council.

The following examples represent eligible uses of the monies deposited in the Affordable Housing Trust Fund:

1. To assist in the construction, rehabilitation, or retention of affordable housing units through partnership and coordination with a development project.
2. Acquisition of land to provide sites for affordable housing development.

3. Rehabilitation of existing affordable homes and apartments and retention as affordable housing units.
4. Acquisition of existing dwelling units to subsidize and hold as affordable housing units (e.g., purchase or create affordability covenants).
5. Other uses as approved by the City Council.

The City Council must approve the use of monies in this fund with the exception of administrative costs paid out of the fund. Up to 10% of the In-Lieu Fees collected or deposited into the Affordable Housing Trust Fund may be utilized annually for administrative costs associated with the implementation of Ordinance No. 2402 or specific projects. The Affordable Housing Trust Fund shall be reviewed during each Fiscal Year's Budget review process to determine if modifications are necessary.

III-C. Summary of Development Code Section 9103.15 Density Bonus Program

State Density Bonus Law allows developers of Ownership Residential Projects to receive a density bonus when a defined percentage of the dwelling units are sold at Affordable Sales Prices. The City has codified the State Density Bonus Law in Development Code Section 9103.15.⁴ Over time, as the State Density Bonus Law is amended, this Inclusionary Housing Regulations document will be updated to reflect the new requirements.

C-1. INCOME AND AFFORDABILITY STANDARDS

1. Government Code Section 65915(b)(1) requires that a defined percentage of dwelling units in an Ownership Residential Project be set aside for Very Low Income Households, Low Income Households, or Moderate Income Households. The percentage requirements are set forth in Government Code Section 65915(f).
2. The affordable housing obligation is measured as a percentage of the number of the dwelling units allowed to be developed under the development site's Base Density standards.

⁴ The currently applicable State Density Bonus statute is provided in Attachment 3.

3. The Affordable Units must be legally restricted to ownership and occupancy by Households that qualify for the income category designated for that particular Affordable Unit.
4. Government Code Section 65915(c)(2)(C) allows the Affordable Units provided to fulfill the State Density Bonus Law to be resold at the Fair Market Value by the original Homebuyer under Government Code Section 65915(c)(2)(C)(i-iv). This comports with the equity sharing arrangement imposed by the Inclusionary Housing Program.

C-2. DENSITY BONUS SCHEDULES

If a Density Bonus is sought, a Developer must apply to the Development Services Department to make use of the State Density Bonus Law benefits including an increase in density over the General Plan and zoning standards imposed on a development site; incentives or concessions; development standards waivers; and/or parking standard relief. In accordance with Government Code Section 65915(f) a Developer is not required to request an increase in density in order to make use of the other benefits offered by State Density Bonus Law.

The amount of density increase to which a Developer is entitled varies according to the percentage of affordable housing units proposed to be provided. The schedules that are currently applicable to Ownership Residential Projects are presented in the following tables:

Government Code Sections 65915(f)(1 and 2) Low or Very Low Income Ownership Units Used to Fulfill the Affordable Housing Requirements			
% Low Income Units	% Density Bonus	% Very Low Income Units	% Density Bonus
10%	20%	5%	20%
11%	21.5%	6%	22.5%
12%	23%	7%	25%
13%	24.5%	8%	27.5%
14%	26%	9%	30%
15%	27.5%	10%	32.5%
16%	29%	11%	35%
17%	30.5%	12%	38.75%
18%	32%	13%	42.5%
19%	33.5%	14%	46.25%
20%	35%	15%	50%
21%	38.75%		
22%	42.5%		
23%	46.25%		
24%	50%		

Government Code Sections 65915(f)(4)					
Moderate Income Ownership Units					
Used to Fulfill the Affordable Housing Requirements					
% Moderate		% Moderate		% Moderate	
Income	% Density	Income	% Density	Income	% Density
Units	Bonus	Units	Bonus	Units	Bonus
10%	5%	22%	17%	34%	29%
11%	6%	23%	18%	35%	30%
12%	7%	24%	19%	36%	31%
13%	8%	25%	20%	37%	32%
14%	9%	26%	21%	38%	33%
15%	10%	27%	22%	39%	34%
16%	11%	28%	23%	40%	35%
17%	12%	29%	24%	41%	38.75%
18%	13%	30%	25%	42%	42.5%
19%	14%	31%	26%	43%	46.25%
20%	15%	32%	27%	44%	50%
21%	16%	33%	28%		

1. A 20% density bonus is available to projects dedicated to senior citizens as defined in Civil Code Sections 51.3 and 51.12s (Government Code Section 65915(b)(1)(C).
2. Government Code Section 65915(v)(1) – provides additional density increases for projects that maximize the density bonus provided under Government Code Section 65915(b)(1) and then agree to include additional units that are allocated to Very Low Income Households or Moderate Income Households. The additional density increase is applied on a sliding scale basis that generates the following maximum total density bonuses:
 - a. 88.75% if the requisite number of additional Very Low Income Units are provided;
or
 - b. 100% if the requisite number of Moderate Income Units are provided.
3. Government Code Section 65917.7 provides up to a 20% development bonus to commercial developers who partner with affordable housing developers for the

construction of affordable housing on a commercial development site, or on a site that meets all the following criteria:

- a. It is located within the Arcadia city limits;
- b. It is in close proximity to public amenities such as schools and employment centers; and
- c. It is located within one-half mile of a major transit stop.

C-3. CONCESSIONS AND INCENTIVES

A Developer that is proposing to use the State Density Bonus Law may submit a request to the City for specific incentives or concessions.⁵ In accordance with Government Code Section 65915(d)(1) the City is required to grant the Developer's request for specific concessions unless the City can make a finding, based on substantial evidence, of any of the following:

1. The concession does not result in identifiable and actual cost reductions, consistent with Government Code Section 65915(k), to provide for Affordable Housing Cost for the affordable dwelling units being provided to fulfill the State Density Bonus Law requirements.
2. The concession would have a specific, adverse impact, as defined in Government Code Section 65589.5(d)(2):
 - a. Upon public health and safety; or
 - b. On any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific adverse impact without rendering the development unaffordable to Low Income Households and Moderate Income Households.
3. The concession would be contrary to state or federal law.

State Density Bonus Law does not provide concessions for 100% market rate senior citizen projects or for land donated for affordable housing. The following table identifies the number of

⁵ State Density Bonus Law does not differentiate between "incentives" or "concessions". Hereafter in this Inclusionary Housing Regulations they will collectively be referred to as concessions.

concessions allowed by Government Code Sections 65915(d)(2) and 65915(d)(4) depending on the percentage of affordable dwelling units proposed to be provided:

State Density Bonus Concessions Allocations			
Set Aside Category: Percentage Allocations:			
Affordable Dwelling units			
Number of Concessions	Very Low Income	Low Income	Moderate Income
1	5%	10%	10%
2	10%	17%	20%
3	15%	24%	30%
4	16%	N/A	45%

Government Code Section 65915(d)(3) provides a Developer with the right to initiate judicial proceedings if the City refuses to grant a requested density bonus and/or concession. If the court finds that the City's refusal violates the requirements imposed by the State Density Bonus Law, the court shall award to the Developer reasonable attorney's fees and costs related to the lawsuit.

Government Code Section 65915(d)(4) places the burden on the City to prove that the denial of a concession is supported by one of the exceptions provided in Government Code Section 65915(d)(1)(A-C).

C-4. DEVELOPMENT STANDARDS WAIVERS

1. Government Code Section 65915(e)(1) imposes the following requirements on the City:
 - a. The City may not apply any development standard that will physically preclude the development of a project with the density bonus provided by Government Code Section 65915(f) and the concessions provided by Government Code Section 65915(d)(2).
 - b. The burden is placed on the City to prove that the denial of a development standards waiver is supported by one of the exceptions provided in Government Code Section 65915(d)(1)(A-C).

2. Government Code Section 65915(e)(2) states that requested development standards waivers do not impact the number of concessions to which the proposed project is entitled.

C-5. PARKING STANDARDS RELIEF

At a Developer's request, Government Code Section 65915(p) requires the City to cap the parking requirements imposed on projects making use of the State Density Bonus Law. The various standards can be described as follows:

1. The basic requirement is that the City cannot impose parking requirements in excess of the following:

Parking Requirement Caps Government Code Section 65915(p)(1)	
Number of Bedrooms	Maximum Parking Space Requirement Per Unit
Zero and 1	1.0
Two and Three	1.5
Four +	2.5

2. Government Code Section 65915(p)(2)(A) provides for additional parking relief for density bonus projects, located within one-half mile of an accessible major transit stop, that set the affordable housing percentage at either 11% Very Low Income Units or 20% Low Income Units. The parking requirements for projects that meet these criteria cannot exceed .5 spaces per dwelling unit.
3. Government Code Section 65915(p)(3) prohibits the City from imposing any parking requirements on 100% affordable projects being developed under Government Code Section 65915(b)(1)(G) that meet any of the following criteria:
 - a. The proposed project is located within one-half mile of an accessible major transit stop; or

- b. The proposed project is a senior citizen rental development that provides paratransit services, or the property is located within one-half mile of an accessible bus route with service at least eight times per day.⁶

Government Code Section 65915(p) also imposes the following requirements:

1. Government Code Section 65915(p)(4) sets the following standards:
 - a. If the parking requirement results in a fractional number, the requirement shall be rounded up to the next whole number.
 - b. The parking requirements can be met with tandem or uncovered parking. On street parking cannot be used to fulfill the requirements.
2. Government Code Section 65915(p)(5) allows a Developer to request parking relief in excess of the relief provided by Government Code Section 65915(p) as a Government Code Section 65915(d)(2) concession.
3. Government Code Section 65915(p)(6) provides the City with the discretion to reduce or eliminate a parking requirement for development projects of any type in any location.
4. Government Code Section 65915(p)(7) allows the City to impose a higher parking ratio than set forth in Government Code Section 65915(p) if all of the following criteria is met):
 - a. The City or an independent consultant has conducted a parking study within the prior seven years.
 - b. The study analyzed parking availability, differing levels of transit access, walkability access to transit services, the potential for shared parking, the effect of parking requirements on the cost of market rate and subsidized developments, and the lower rates of car ownership for Low Income Households and Very Low Income Households, including senior citizens and special needs individuals.
 - c. The City makes findings, based on substantial evidence, that the higher parking ratio is required.
 - d. The study was paid for by the City.

⁶ The project must comply with the requirements imposed by Civil Code Sections 51.2 and 51.3.

5. The parking standards relief defined in Government Code Section 65915(p) are provided to a Developer by right. In accordance with Government Code Section 65915(p)(8), a Developer's request to use the identified parking standards cannot be counted as a concession unless the Developer is requesting additional parking standards relief as described in Government Code Section 65915(p)(5).

C-6. REPLACEMENT HOUSING OBLIGATIONS

Government Code Section 65915(b)(3)(A) imposes replacement housing obligations on State Density Bonus Law projects proposed to be located on any portion of a site that has been occupied at any time within the previous five-year period with rental dwelling units that were subject to one or more of the following:

1. Recorded covenant(s); or
2. Ordinance, or
3. A law that restricted the units to Low Income Households or Very Low Income Households; or
4. Subject to any other form of rent or price control through the City's valid exercise of policy power; or
5. Occupied by Low Income Households or Very Low Income Households.

The specific replacement housing obligations are:

1. The affordable dwelling units proposed to be used to fulfill the State Density Bonus Law requirements must be sufficient to replace the impacted dwelling units; or
2. Each dwelling unit in the proposed project, excluding a manager's unit or units, will be designated as affordable to either Low Income Households or Very Low Income Households.

Government Code Section 65915(b)(3)(B) defines "replace" as follows:

1. For Ownership Residential Projects the proposed project must provide at least the same number of dwelling units of equivalent size to the impacted units at the Affordable Sales Price for Households in the same or lower income category as the Households that resided in the impacted dwelling units.

2. If the income category of the impacted Household is not known, the Comprehensive Housing Affordability Strategy database produced by HUD shall be used to establish the proportional allocation of Low Income Units and Very Low Income Units.
3. All replacement housing obligations shall be rounded up to the next whole number.
4. The replacement dwelling units must be subject to the Equity Sharing Obligation imposed by both Development Code Sections 9103.15 and 9103.16.

In addition, the following types of development projects may be subject to the replacement housing obligations imposed by Government Code Section 66300.6:

1. A residential development project that proposes to demolish any existing residential units; or
2. A development project that will result in the demolition of occupied or vacant “protected units” (as defined); or
3. A development project located on a site where protected units were demolished within the previous five years.

IV. PROGRAM ADMINISTRATION

IV-A. General

The Development Services Director has the day-to-day responsibilities related to administering the requirements imposed by Development Code Sections 9103.16 and/or 9103.15. Specific activities performed by the Development Services Director are:

1. Causing the Affordable Sales Prices to be calculated on the first day of each calendar quarter;
2. Administering the initial sale and subsequent resales of the Affordable Units, including the evaluation of prospective Homebuyers' eligibility;
3. Monitoring the Homeowners' compliance with the Inclusionary Housing Program requirements,
4. Administering the activities associated with Exempt Transfers and Events of Acceleration; and
5. Responding to complaints submitted by Developers, prospective Homebuyers, and Homeowners under Section VIII of this Inclusionary Housing Regulations document.

IV-B. Fair Housing Policy

It is the City's policy to comply fully with all Federal, State, and local non-discrimination laws. Specifically, the City shall not discriminate on account of race, color, sex, religion, sexual orientation, creed, ancestry, national or ethnic origin, age, family or marital status, handicap or disability.

IV-C. Privacy Rights

Requests for the City to release information involving a prospective Homebuyer or Homeowner must be accompanied by a written release request and/or a court order unless disclosure is authorized under Federal or State law.

All eligibility applications are held in strict confidence and are not considered public records (HSC Section 34332).

IV-D. Authorities

1. The Development Services Director is authorized to approve and execute an Affordable Housing Plan that comports with the requirements imposed by Development Code Sections 9103.16 and/or 9103.15, as pertinent, and this Inclusionary Housing Regulations document.
2. The Developer of an Ownership Residential Project that is subject to the requirements imposed by Development Code Sections 9103.16 and/or 9103.15 must enter into an Affordable Housing Agreement with the City. The Development Services Director is authorized to execute this document.
3. The Development Services Director is authorized to sign all documents requiring approvals related to sales, resales, waivers, refinances, and subordinations related to Affordable Units.
4. The Development Services Director is authorized to execute any non-substantial changes to this Inclusionary Housing Regulations document.

V. ELIGIBILITY STANDARDS

V-A. General Policy

The following fundamental requirements are imposed on the purchasers of Affordable Units:

A-1. OWNER OCCUPANCY

Prospective Homebuyers must certify that the Affordable Unit will be the Household's Primary Residence. The Affordable Unit must be owner-occupied at all times, and no part of the dwelling unit may be rented or leased at any time.

A-2. OWNERSHIP OF OTHER REAL ESTATE

No member of the Household may own other residential property, including mobile home property, unless the property will be sold prior to or in conjunction with the purchase of an Affordable Unit.

A-3. PRELIMINARY SUBMITTALS

As the first step in the process, prospective Homebuyers must complete the City's Program Summary & Pre-Application Checklist. If a prospective Homebuyer proceeds to the formal underwriting process, the Senior Lender must obtain documentation that demonstrates the prospective Homebuyer's eligibility to purchase an Affordable Unit.

Prospective Homebuyers that are unable to provide satisfactory evidence of income, assets, Household composition, or other qualifying criteria will not be considered Eligible Purchasers, and will not be allowed to purchase an Affordable Unit. Prospective Homebuyers who are determined not to meet the qualifications to be an Eligible Purchaser must wait a period of at least one year prior to submitting a new application to purchase an Affordable Unit.

V-B. Household Composition

B-1. MODIFICATIONS TO THE HOUSEHOLD COMPOSITION

The Household composition may not be altered after a prospective Homebuyer is approved as an Eligible Purchaser. If a prospective Homebuyer wishes to change their Household composition after being approved as an Eligible Purchaser, the prospective Homebuyer must restart the approval process from the beginning.

B-2. HOUSEHOLD AND UNIT SIZE COMPATIBILITY

As a policy matter the City is applying minimum Household size requirements based on the number of bedrooms in the Affordable Unit. The City is also applying maximum Household sizes that comport with the standards applied by the California Department of Fair Employment and Housing.

The minimum and maximum number of occupants per Affordable Unit are identified in the following table:

Household Occupancy Limits		
Number of Bedrooms in the Affordable Unit	Minimum Number of Occupants	Maximum Number of Occupants
1	1	3
2	2	5
3	3	7
4	4	9

B-3. HOUSEHOLD COMPOSITION SUBMITTAL REQUIREMENTS

For all Adult Household members, the City will require a photocopy of a driver license or California photo identification. For minors, the City will require a copy of the birth certificate. If the birth certificate for a minor is not available, the City may accept the following: adoption papers, custody agreement, court-ordered assignment, or verification from a social services agency.

School Registration Documents

Adult Household members who are dependents of the prospective Homebuyer and who are full-time students will be required to provide copies of school transcripts or registration verification showing current full-time student status.

Verification of Divorce or Separation Status

Divorced or legally separated Household members must provide a copy of the divorce decree or legal separation document signed by a court officer. Married, but separated, couples must

demonstrate at least one full year of complete financial and residential separation at time of application to be considered separated for purposes of determining eligibility.

Joint Custody of Children

Prospective Homebuyers with joint custody of children must have custodial parent rights defined in a divorce decree for a child to be considered part of the Household. This rule shall not be interpreted as disallowing children from living with parents with less than 50% custody rights; it is solely intended to be applied when determining Household size for program eligibility.

V-C. Income Eligibility Standards

C-1. GROSS INCOME

The City will consider Gross Income for all Adult Household members when determining a prospective Homebuyer's eligibility. In the event a prospective Homebuyer uses a co-signer on a mortgage, the Gross Income of the co-signer will be considered part of the Household's Gross income. The definition of Gross Income used in the qualifications process is set forth in California Code of Regulations Title 25 Housing and Community Development Section 6914.

C-2. MAXIMUM INCOME

The Inclusionary Housing Program requires the Affordable Units in Ownership Residential Projects to be sold to Moderate Income Households. However, Developers that are making use of the State Density Bonus may choose to fulfill this requirement with Low Income Units or Very Low Income Units.

The maximum allowable Gross Income is determined on the basis of the prospective Homebuyer's actual Household size. The City will consider Gross Income for all Adult Household members when determining a prospective Homebuyer's eligibility. The funds included in Gross Income are detailed in California Code of Regulations Title 25 Housing and Community Development Section 6914.

V-D. Household Income Submittal Requirements

Prospective Homebuyers wishing purchase an Affordable Unit must submit the following financial information to the Developer as part of the evaluation process.

D-1. INCOME TAX RETURNS

All Adult Household members will be required to provide signed copies of their most recent federal income tax return. This return must include all schedules and attachments. Prospective Homebuyers unable to provide copies of a federal income tax return will be required to obtain a tax history printout from the Internal Revenue Service. Prospective Homebuyers may be requested to sign an authorization for release of information to the City from the Internal Revenue Service for further verification of income. Referrals to the Internal Revenue Service may be made for confirmation of the income statement on a case-by-case basis.

Income tax returns shall be used by the City to verify the following: residency history, family composition, income history (including amounts and types of income), and real estate ownership.

D-2. AUTHORIZATION TO OBTAIN CREDIT HISTORY

Each Adult Household member shall authorize the City to obtain reports from credit reporting agencies. The Development Services Director will determine when it is necessary to obtain one or more credit report(s) per individual. Such reports will be used only to confirm information related to the prospective Homebuyer such as current and previous addresses, current and previous employers, loan history, income to debt ratio, etc.

D-3. INCOME VERIFICATION

Employment Income

In the order of preference, the following employment income verification sources will be considered acceptable. The documentation must specify the amount and type of pay (i.e., wages, overtime wages, commissions, and bonuses), frequency of pay, and year to date earnings for each Adult Household member:

1. Verification documents:
 - a. Check stubs or earning statements showing the employee's gross pay per pay period and frequency of pay. The check stubs should include the year-end statement for the last full year of employment, and the most recent four pay periods; or
 - b. Letter from the Prospective Homebuyer's employer on company letterhead and signed by an authorized company representative.

2. Future income related to overtime, commissions and bonuses can be difficult to accurately predict. If necessary, these forms of income may be estimated based on historical amounts.

Income from a Business

Net income from a business owned in part or full by a prospective Homebuyer will be considered when determining income eligibility. Net income is defined as business receipts or sales less cash expenses that are essential for the operation of the business. To estimate current net business income, the City will require the following documentation:

1. The most recent two federal income tax returns for the business; and
2. Two full years of business and personal checking, savings, and other investment account statements for all business owners/partners.

Prospective Homebuyers with fewer than two full years of verifiable business income history will not be considered to be Eligible Purchasers of an Affordable Unit.

Prospective Homebuyers must itemize gross business receipts or sales for the period covered by the most recent two federal income tax returns and forecast gross business receipts or sales for the year beyond the time of application. Prospective Homebuyers must also itemize the cash expenses that were applied to determine net business income for both periods.

Social Security, Pensions, Supplementary Security Income (SSI), Welfare, Disability Income

Prospective Homebuyers must submit a copy of their most recent award or benefit notification letter prepared and signed by the authorizing agency. At the Development Services Director's sole discretion, checks or bank deposit slips that show only net amounts remaining after deductions for SSI or Medicare may be accepted when award letters cannot be obtained.

Alimony or Child Support

Verification of alimony or child support income will be considered acceptable in the order listed:

1. Copy of a separation of settlement agreement or a divorce decree stating amount and type of support and payment schedules.
2. A notarized letter from the person paying the support attesting to the amount and terms of support payments.

No Income Certification

Adult stay-at-home spouses, domestic partners and dependents that are reporting that they do not receive any type of income must fill out an affidavit certifying this fact. The affidavit form is provided in Attachment 7 to this Inclusionary Housing Regulations document.

Checking, Savings, and Investment Account Statements

Prospective Homebuyers must submit copies of the three most recent months of statements for all accounts, including checking, savings, or other investment accounts owned in part or full for each Adult Household member. These statements must identify current period and year-to-date income earned on each account through interest and/or dividends.

V-E. Mortgage, Down Payment and Gift Funds Requirements

The mortgage and Homebuyer down payment requirements applied to the purchase of an Affordable Unit are described as follows:

E-1. MORTGAGE REQUIREMENTS

1. The City will subordinate the income and affordability covenants to mortgage financing if it is deemed that mortgage financing is not commercially available unless the covenants are subordinated to the loan. On an annual basis the Development Services Director will obtain a legal opinion regarding the feasibility of a Homebuyer obtaining conventional financing if the covenants are required to be placed in a senior lien position to the mortgage financing.
2. Homebuyers must obtain conventional, fully amortizing, fixed interest rate mortgages with a term of at least 30 years. No interest only loans, negative amortization loans, balloon payment loans or variable interest rate loans will be allowed.
3. The mortgage(s) used to acquire the Affordable Unit cannot exceed the lesser of:
 - a. 95% of the Affordable Unit's appraised Fair Market Value, or
 - b. 95% of the Affordable Sales Price.
4. All primary mortgages and any secondary financing must be secured by a loan agreement and a deed of trust from banks or companies licensed to make home loans in California. Loans from family members, friends, or other non-licensed entities shall be considered

gift funds to the prospective Homebuyer, as defined in this Inclusionary Housing Regulations document.

E-2. MINIMUM AND MAXIMUM DOWN PAYMENT

The purchaser of an Affordable Unit must be able to make a down payment equal to at least 5% of the designated Affordable Sales Price, and pay all the closing costs associated with the purchase of the Affordable Unit. In addition, the following minimum and maximum down payment requirements are applied by the Inclusionary Housing Program:

1. At least 3% of the Affordable Sales Price must be provided from the Homebuyer's own funds.
2. The balance of the down payment up to applicable gift limit, can be provided using gift funds received by the Homebuyer.
3. The down payment amount is capped at 20% of the designated Affordable Sales Price.

In extraordinary circumstances, the Development Services Director has the authority to review and approve variations to the established minimum and maximum amounts.

E-3. GIFT FUNDS

The gift funds a prospective Homebuyer can apply to the purchase of an Affordable Unit are capped at \$50,000.

In extraordinary circumstances, the Development Services Director has the authority to review and approve variations to the established minimum and maximum amounts.

VI. DEVELOPER RESPONSIBILITIES

The Developer of Affordable Units must adhere to the Homebuyer Selection Procedures detailed in Attachment 6 - Exhibit A. The Developer and/or the Senior Lender must compile the information required to demonstrate that the prospective Homebuyer complies with the requirements imposed by this Inclusionary Housing Regulations document.

The Development Services Director will review the submittal for completeness, and will notify the Developer and/or the Senior Lender of any missing information and/or documents. The Developer and/or the Senior Lender will be given 10 business days to provide the missing information and/or documents. Failure to provide the requested information and/or documents will be cause for denial of eligibility.

The Development Services Director will evaluate the submitted information to determine whether the prospective Homebuyer is an Eligible Purchaser. Under extraordinary circumstances, at the written request of a Developer, the Development Services Director, at his/her sole discretion, may waive certain Homebuyer Eligibility Requirements.

VI-A. Submittal Requirements

The Developer and/or the Senior Lender must compile the Eligibility Standards information detailed in Section IV of this Inclusionary Housing Regulations document, and provide all of the documents identified in the Lender Checklist, which is provided in Attachment 6 - Exhibit B. The Developer must deliver the complete package to the Development Services Director. This package must include, but is not limited to:

1. Verification that the prospective Homebuyer understands and will comply with the identified general policy parameters.
2. Household composition documents.
3. Income eligibility documents.
4. Mortgage, down Payment, and gift funds documents.

The Developer must also provide the City with the following documents:

A-1. MORTGAGE PRE-QUALIFICATION LETTER AND LOAN APPLICATION PACKET

The Developer must obtain from a prospective Homebuyer a copy of a pre-qualification letter and full application packet from a licensed mortgage lender. The application packet shall include, but shall not be limited to, the signed fully completed mortgage application, loan underwriting analysis, income verification, and credit verification.

The mortgage loan application packet shall be used by the Development Services Director to verify the following: residency history, employment history, income, liabilities, assets (including real estate ownership), down payment and mortgage financing amounts.

VI-B. Residential Purchase Agreement

The Developer must submit a copy of the Residential Purchase Agreement that is anticipated to be entered into by the Homebuyer and the Developer for the purchase and sale of the Affordable Unit. The Development Services Director will review the agreement to verify the total purchase price, the first trust deed mortgage terms and any secondary financing terms. The City has approval rights over any material amendments to the Residential Purchase Agreement made after it has been reviewed and approved by the Development Services Director.

Specific terms that will not be allowed include, but are not limited to, the following:

1. The escrow period cannot exceed 90 days.
2. Homebuyers cannot be required to pay any extraordinary fees.
3. Homebuyers cannot be required to make any payments to the Developer that are not disclosed in the Residential Purchase Agreement.
4. No financing can be carried back by the Developer.

VI-C. Disclosure Documents

Addendum to the Residential Purchase Agreement

For each Affordable Unit, the Developer must submit an executed copy of an Addendum to the Residential Purchase Agreement, which has been signed by both the Developer and the Homebuyer. The Addendum to the Residential Purchase Agreement must include the language approved by the City and provided in Attachment 8 – Exhibit A.

Certificate of Purchaser

The Developer is required to submit an original, fully completed and signed Certificate of Purchaser on the form approved by the City and provided in Attachment 8- Exhibit B. This document summarizes the proposed purchase transaction, and it identifies the Homebuyer's gross income and the number of persons that will occupy the Affordable Unit. The document includes an acknowledgement by the Homebuyer that the Inclusionary Housing Covenants Declaration will be recorded on title to the Affordable Unit.

Special Disclosures

The Developer is required to submit an original, fully completed and signed Special Disclosures document on the form approved by the City and provided in Attachment 8 – Exhibit C. This document includes an acknowledgement by the Homebuyer that the Inclusionary Housing Covenants Declaration imposes restrictions on the Affordable Unit being purchased.

VII. AFFORDABLE SALES PRICE

VII-A. General Policy

Affordable Units must be sold at no more than the defined Affordable Sales Price, as adjusted on the first day of each calendar quarter. This price will be calculated based on the specific covenants, conditions of approval, and other applicable use restrictions recorded on the Affordable Unit. The Affordable Sales Price is likely to be lower than the Fair Market Value of the Affordable Unit.

VII-B. Caveats

1. Developers and prospective Homebuyers should be informed that the Affordable Sales Price can increase or decrease, and this may result in a situation where the resale value of the Affordable Unit is less than the Affordable Sales price originally paid by the Homeowner.
2. It is also possible that the Fair Market Value of Affordable Units may decrease over time. This may result in a situation where the resale value of the Affordable Unit is less than the original purchase price paid by the Homeowner.

VII-C. Affordable Sales Price Calculations

The Affordable Sales Price is equal to the Supportable Mortgage plus the Benchmark Down Payment. The Supportable Mortgage and the Benchmark Down Payment amounts will be calculated quarterly, and provided to the Developers of active Ownership Residential Projects.

The Inclusionary Housing Program and State Density Bonus Law use the HSC Section 50052.5 methodology for calculating the Affordable Housing Cost. These calculations are based on several benchmark standards that are applied to create a consistent Affordable Housing Cost based on the number of bedrooms in the Affordable Unit.

The following sections of this Inclusionary Housing Regulations document illustrate the calculation methodology.

C-1. BENCHMARK HOUSEHOLD SIZES

The benchmark household size applied in the Affordable Housing Cost calculation is set at the number of bedrooms in the unit plus one, which is defined as the Household Size Appropriate for

the Unit. This is not meant to be an occupancy cap; it is simply a benchmark used to create a consistent methodology for calculating the Affordable Housing Cost.

C-2. HOUSEHOLD INCOME

The benchmark income standards applied in the Affordable Housing Cost calculation are:

1. Moderate Income: 110% of the AMI for a household size equal to the number of bedrooms in the dwelling unit plus one
2. Low Income: 70% of the AMI for a household size equal to the number of bedrooms in the dwelling unit plus one.
3. Very Low Income: 50% of the AMI for a household size equal to the number of bedrooms in the dwelling unit plus one.

The preceding measurements are only used for the purposes of setting the Affordable Sales Prices.

C-3. INCOME ALLOCATED TO TOTAL HOUSING COSTS

The following amount of the applicable Household income is allotted to Total Housing Costs:

1. Moderate Income: 35% of the benchmark household income determined in “C-2.1”.
2. Low Income: 30% of the benchmark household income determined in “C-2.2.”.
3. Very Low Income: 30% of the benchmark household income determined in “C-2.3.”.

C-4. TOTAL HOUSING COSTS

Non-mortgage related expenses will be calculated based on standards defined by the City. The expenses and standards are:

1. Property Tax and Assessments: The tax rate applied to determine the annual property tax cost will be set at 1.15% of the Fair Market Value of an Affordable Unit.
2. Fire and Casualty Insurance: The Development Services Director will periodically survey local insurance companies to determine the typical annual cost of insuring a home for its replacement value.

3. Maintenance and Repairs: The Development Services Director will apply a nominal cost allowance to cover the costs Homeowners will typically bear for maintaining their Affordable Unit over a one-year period.
4. Utilities: The Development Services Director will estimate an annual utility cost allowance based on data published by the Los Angeles Community Development Authority (LACDA).
5. HOA Fees: The HOA fees will be based on an estimate provided by the Developer of the fees that will be charged upon full buildout of the Ownership Residential Project.

C-5. SUPPORTABLE MORTGAGE AMOUNT

The Supportable Mortgage amount is determined based on the mortgage that can be supported given the income available after the other Total Housing Costs are paid:

1. The mortgage interest rate used in the Affordable Housing Cost calculation will be based on the site average annual percentage rate (APR) published by Freddie Mac for 30-year, fully-amortizing, fixed-interest rate loans.
2. The interest rate that will be used in the calculation will be based on the published interest rate during the first week of the calendar quarter in which the Homebuyer enters into a Residential Purchase Agreement with the Developer.

C-6. BENCHMARK DOWN PAYMENT

The Benchmark Down Payment used by the City to establish the Affordable Sales Price is set at 5% of the Affordable Sales Price.

Within the following limitations, the actual down payment amount contributed by Homebuyers will vary among the Affordable Units:

1. The minimum Homebuyer down payment is set at 5% of the Affordable Sales Price for the Affordable Unit. At least 3% of the Homebuyer down payment must be contributed from the Homebuyer's own funds.
2. The Maximum Homebuyer down payment is capped at 20% of the Affordable Sales Price for the Affordable Unit. Gift funds, up to the applicable limit, can be applied to any down payment amount in excess of 3% of the Affordable Sales Price.

As discussed above, the actual down payment contributed by a Homebuyer can fall within a range of 5% to 20% of the Affordable Sales Price for the Affordable Unit. However, this variance in the actual down payment amount does not impact the total dollar amount of the Affordable Sales Price. Rather, it impacts the maximum allowable total dollar amount of mortgage financing.

VIII. CONTINUING HOMEOWNER REQUIREMENTS

VIII-A.General Policy

The Inclusionary Housing Program is intended to provide affordable housing to residents who would otherwise have difficulty owning a home in Arcadia. It is not intended to help Homebuyers to profit from home ownership. Additionally, it is not intended to allow Homeowners to take actions that are unreasonably risky thus jeopardizing the viability of the Affordable Units. The requirements below are designed to address these matters.

VIII-B.Homeowner Requirements

B-1. MAKE PAYMENTS ON ALL DEBTS

Homeowners must remain current on their payments for all debts recorded against the Affordable Unit, including but not limited to mortgages, taxes, HOA dues, and assessments. Should a Homeowner default on any debt recorded against the Affordable Unit, a lien holder could initiate foreclosure proceedings against the Homeowner. Failure to remain in good standing with all creditors who have a claim against the Affordable Unit is a violation of these Inclusionary Housing Regulations, and will require immediate action by the City.

B-2. REFINANCING APPROVED BY CITY

The City will allow the Homeowner to refinance an Affordable Unit provided such refinancing shall be limited solely to the outstanding principal owed under the Homeowner's initial financing, plus any customary fees or costs associated with such refinancing. In addition, the proposed refinancing cannot exceed the lesser of the following amounts:

1. 95% of the Affordable Unit's then current appraised Fair Market Value; or
2. 95% of the Affordable Sales Price.

The City may agree to subordinate the covenants if the proposed refinancing complies with the requirements imposed by this Inclusionary Housing Regulations document. Requests to subordinate the income and affordability covenants must be made by Homeowners to the Development Services Director on the Subordination Agreement Checklist. City approval of subordination requests are subject to the determination that the Homeowner is in compliance

with program requirements, and that the amount of debt requested does not exceed the defined mortgage limits.

B-3. PRIMARY RESIDENCE

For the term of the affordability covenants, each member of the Household shall occupy the Affordable Unit as the Household's Primary Residence, and the Affordable Unit shall be used for no other purpose.

If any member of the Household is absent from the Affordable Unit for more than 60 days per calendar year, then it will be considered to not be the Household's Primary Residence. Examples of such proof of absences are utilities that have been turned off, furnishings that have been removed, mail that has been forwarded or not collected, or a property management company or others have reported that the occupants have left the Affordable Unit.

B-4. PROHIBITION AGAINST TRANSFER OF AFFORDABLE UNIT

Homeowners may not transfer, whether voluntary or involuntary, any portion or interest in an Affordable Unit without the City's prior written approval. The City shall also be provided with notice immediately upon any Exempt Transfer.

B-5. PROPERTY MAINTENANCE

Homeowners are required to maintain the interior and, if applicable, the exterior of the Affordable Unit and the landscaping on the Affordable Unit in a manner consistent with community standards, in accordance with all applicable City codes.

B-6. ANNUAL OCCUPANCY RECERTIFICATION

Homeowners are required to cooperate with the City in promptly providing all information requested by the City in monitoring compliance with program requirements.

On an annual basis, the Development Services Director will send Homeowners a Residency Recertification Form to be filled out and returned to the Development Services Director within 30 days of receipt. Homeowners will affirm that they are occupying the home as their Primary Residence. The Homeowner will be required to submit copies of two current utility bills as part of the annual recertification process.

IX. COMPLAINTS AND APPEALS

IX-A. Complaints

Complaints concerning the affordable housing requirements should be made in writing and addressed to the Development Services Director. Complaints will be accepted only if they are in writing and are received within 30 days from the event giving rise to the complaint. In an attempt to resolve the matter, the Development Services Director shall contact the complainant. If the complaint involves, pertains or relates to the Affordable Unit, or the prescreening qualification process and procedures of the Developer, the Development Services Director shall contact the Developer prior to responding to the complainant. A written response from the Development Services Director will be made to the complainant and Developer within 10 business days of contacting the last person(s) required to be notified and contacted concerning the complaint.

IX-B. Appeals

If a complainant is not satisfied with the written response, the complainant may appeal the determination or decision to the Hearing Officer within 10 days following notice of the action. The notice of appeal shall be in writing and signed by the person making the appeal and shall contain the following information:

1. The name, street address, email address, and telephone number of the appellant;
2. A true and correct copy of the notice of decision or action by the Development Services Director that the appellant is appealing;
3. A specific statement of the reasons and grounds for making the appeal in sufficient detail to enable the Hearing Officer to understand the nature of the controversy, the basis of the appeal, and the relief being requested; and
4. All documents or other evidence pertinent to the appeal that the appellant requests that the Hearing Officer consider at the hearing.

In the event a written notice of appeal is timely filed, the decision is not effective until a final determination or decision has been rendered and issued by the Hearing Officer. The Hearing Officer shall set a hearing within 30 calendar days from that date unless the parties agree otherwise.

At the hearing, the person against whom the determination or decision was made may present evidence and argument regarding the determination or decision to show why the determination or decision is incorrect and to show what the determination or decision should be.

Within 60 days after the close of the hearing the Hearing Officer shall issue a final determination or decision, unless the time period is extended by the Hearing Officer for good cause.

Any decisions or responses made by the Development Services Director and/or the Hearing Officer to a complaint shall be supported by reasonable inferences of admissible facts and shall be consistent and compliant, as pertinent, with the provisions of Development Code Sections 9103.16 and/or 9103.15, the Affordable Housing Agreement and these Inclusionary Housing Regulations.

X. MONITORING AND ENFORCEMENT

City staff will maintain a high level of awareness to indicators of possible abuse and fraud by prospective Homebuyers and Homeowners of Affordable Units.

X-A. File Audits Upon Close of Purchase

Upon the close of a purchase transaction, the City will obtain the following information from the escrow company:

1. The original Inclusionary Housing Covenants Declaration executed by the Homebuyer and recorded on title to the Affordable Unit; and
2. A copy of the final buyer and seller settlement statements and a copy of the Homebuyer's title insurance policy.

The Development Services Director will review these documents to ensure that the Inclusionary Housing Covenants Declaration was properly completed, executed, and recorded on legal title to the Affordable Unit. The Development Services Director will also ensure that the financial terms of the purchase transaction are consistent with those that were approved at the time of the application.

X-B. File Audits Upon Mortgage Refinancing

Homeowners' requests for the City to subordinate its Inclusionary Housing Covenants Declaration to refinanced mortgage deeds of trust will be approved only upon determination that the Homeowner is in compliance with these Inclusionary Housing Regulations.

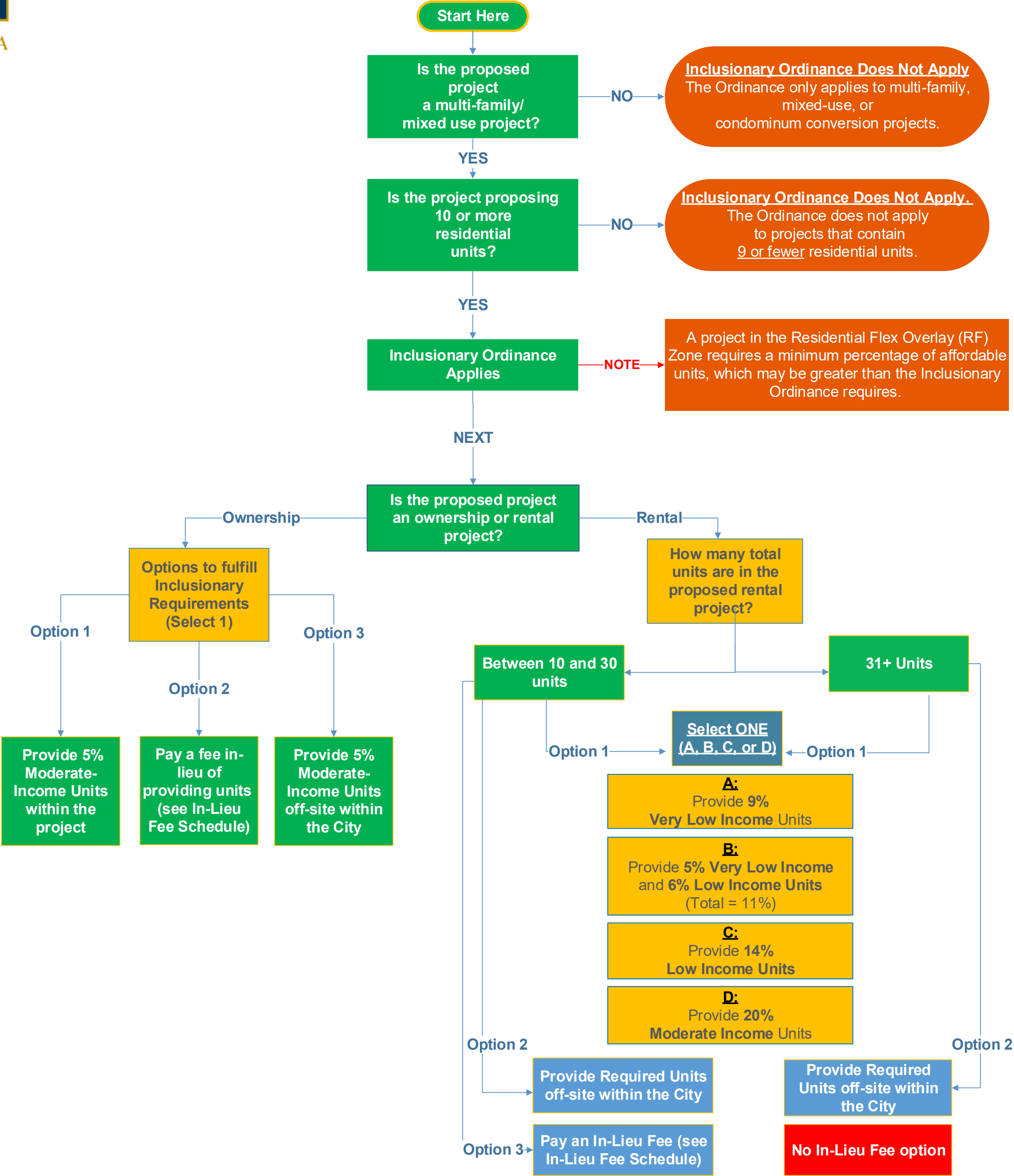
X-C. Homeowner Audits

The Development Services Director may conduct periodic random quality control audits of Affordable Units and Homeowners to assure compliance with Inclusionary Housing Program rules and requirements. Such audits may include verification of continued ownership of Affordable Units by the Homeowner, verification of Homeowner residency, verification of property tax records, and verification of utility billing records.

ATTACHMENT 1
INCLUSIONARY HOUSING ORDINANCE
ORDINANCE NO. 2402
FLOW CHART



Inclusionary Housing Ordinance (Ordinance 2402) Flow Chart



ATTACHMENT 2
ORDINANCE NO. 2402
INCLUSIONARY HOUSING PROGRAM

ORDINANCE NO. 2402

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ARCADIA, CALIFORNIA, RELATED TO TEXT AMENDMENT NO. TA 25-01 ADDING A NEW SECTION 9103.16 TO ARTICLE IX, CHAPTER 1 (DEVELOPMENT CODE) OF THE ARCADIA MUNICIPAL CODE PERTAINING TO AN INCLUSIONARY HOUSING ORDINANCE AND ASSOCIATED IN-LIEU DEVELOPMENT FEE

WHEREAS, the Development Services Department has initiated Text Amendment No. TA 25-01 to add a new Inclusionary Housing Ordinance as Section 9103.16 to Article IX, Chapter 1 of the Arcadia Municipal Code (referred to as "Text Amendment"); and

WHEREAS, California State Housing Element Law establishes the requirements for Housing Elements and California Government Code Section 65588 requires that local government review and revise the Housing Element of their comprehensive General Plans not less than once every eight years. Additionally, the California State Legislature identifies overall housing goals for the State with the goal of ensuring every resident has access to housing and suitable living environments; and

WHEREAS, the updated Housing Element was adopted by City Council on February 15, 2022, and again, at the request of the State Department of Housing and Community Development, on November 1, 2022, and

WHEREAS, the City is required to implement actions and policies within the approved and certified Housing Element, including the provision of affordable housing, and compliance with the Regional Housing Needs Allocation ("RHNA") for the City of Arcadia; and

WHEREAS, the proposed Text Amendment would effectuate Housing Element Implementation Action No. 5-19 by adopting an Inclusionary Housing Ordinance as shown in Exhibit "A" of this Ordinance; and

WHEREAS, on February 27, 2025, Planning Services completed an environmental review of the proposed Text Amendment and determined that the project is exempt from review under the California Environmental Quality Act ("CEQA") pursuant to Section 15061(b)(3) of the CEQA Guidelines because it can be seen with certainty that the Text Amendment would not have a significant effect on the environment and, thus, is not subject to CEQA review; and

WHEREAS, on March 11, 2025, the Planning Commission held a duly noticed public hearing and considered the staff report, recommendations by staff, and public testimony concerning the Text Amendment; and

WHEREAS, after considering the evidence presented, the Planning Commission voted 4-1 to recommend to the City Council approval of Text Amendment No. TA 25-01; and

WHEREAS, on April 1, 2025, the City Council held a duly noticed public hearing concerning the Text Amendment, at which time all interested persons were given full opportunity to be heard and to present evidence.

NOW, THEREFORE, the City Council of the City of Arcadia does ordain as follows:

SECTION 1. The recitals above are each incorporated by reference and adopted as findings by the City Council.

SECTION 2. The City Council finds, based upon the entire record:

1. The proposed Development Code Amendment is consistent with the goals, policies, and objectives of the General Plan and any applicable specific plan(s).

FACT: The proposed Text Amendment No. TA 25-01 aligns with the goals and policies of the General Plan Housing Element. The Text Amendment ensures that

Implementation Action No. 5-19 of the Housing Element is met, demonstrating the City's commitment to providing capacity for affordable housing units within the City. To accommodate the number of affordable housing units identified in the City's Regional Housing Needs Allocation ("RHNA"), and meet the specified levels of affordability, this Text Amendment is necessary. The Text Amendment is consistent with the following General Plan Housing Element Goals and Policies:

Housing Element

Policy H-2.4: Maintain development standards, regulations, and design features that are flexible to provide a variety of housing types and facilitate housing that is appropriate for the neighborhoods in which they are located.

Goal H-3: A range of housing choices for all social and economic segments of the community, including housing for persons with special needs.

Policy H-3.2: Facilitate homeownership opportunities for lower and moderate-income households.

Policy H-4.1: Review and modify as appropriate development standards, regulations, and processing procedures that may constrain housing development, particularly housing for lower- and moderate income households and for persons with special needs.

The proposed Text Amendment No. TA 25-01 will add a new Section to the Development Code related to Inclusionary Housing. This amendment will be consistent with all other portions of the adopted General Plan.

1. The proposed amendment is internally consistent with other applicable provisions of this Development Code.

FACT: The proposed Text Amendment will add a new Section 9103.16 to the Development Code. The Inclusionary Housing Ordinance will require a certain percentage of units in qualifying multi-family residential and mixed-use development projects be designated as affordable housing units. This amendment aligns with the City's recent 2024 rezoning efforts, which included upzoning several areas to allow for additional density and to permit residential units in areas where they were previously not allowed. The Inclusionary Ordinance complements these zoning efforts to create the capacity necessary for residential units in accordance with the City's RHNA as set forth by the State of California. Therefore, the proposed Text Amendment is consistent with all other areas of the Arcadia Development Code.

SECTION 3. The City Council has determined that Text Amendment No. TA 25-01 is exempt from review under the California Environmental Quality Act ("CEQA") pursuant to Section 15061(b)(3) of the CEQA Guidelines, because it can be seen with certainty that the Text Amendment would not have a significant effect on the environment and, thus, is not subject to CEQA review.

SECTION 4. For the foregoing reasons, the City Council adopts this Ordinance. Staff is authorized to correct typographical errors, spelling, formatting or codification and to make other minor revisions to improve the reader's comprehension of the changes from this text amendment attached hereto under Exhibit "A" of this Ordinance, provided that any revisions do not alter the regulatory meaning and intent.

SECTION 5. The City Council hereby directs staff to prepare, execute, and file with the Los Angeles County Clerk a Notice of Exemption within five (5) working days of the adoption of this Ordinance.

SECTION 6. The City Clerk shall certify to the adoption of this Ordinance and shall cause a copy of the same to be published in accordance with Resolution No. 7483. This Ordinance shall take effect on July 1, 2025.

SECTION 7. The Custodian of Records for this Ordinance is the City Clerk and the records comprising the administrative record for this Ordinance are located at Arcadia City Hall, 240 W. Huntington Drive, Arcadia CA.

Passed, approved and adopted by the City Council this 15th day of April, 2025.



Mayor of the City of Arcadia

ATTEST: .



City Clerk

APPROVED AS TO FORM:



Michael J. Maurer
City Attorney

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS:
CITY OF ARCADIA)

I, LINDA RODRIGUEZ, City Clerk of the City of Arcadia, hereby certifies that the foregoing Ordinance No. 2402 was passed and adopted by the City Council of the City of Arcadia, signed by the Mayor and attested to by the City Clerk at a regular meeting of said Council held on the 15th day of April, 2025 and that said Ordinance was adopted by the following vote, to wit:

AYES: Cao, Cheng, Fu, Wang, and Kwan

NOES: None

ABSENT: None



City Clerk of the City of Arcadia

EXHIBIT “A”

Section 9103.16 of the Development Code, Inclusionary Housing Ordinance

Section 9103.16 – Inclusionary Housing

Subsections:

- 9103.16.010 Purpose and Intent
- 9103.16.020 Applicability
- 9103.16.030 Definitions
- 9103.16.040 Affordable Unit Requirements
- 9103.16.050 Alternatives
- 9103.16.060 Incentives
- 9103.16.070 Exemptions
- 9103.16.080 Standards and Procedures
- 9103.16.090 Affordable Housing Plan and Agreement
- 9103.16.100 Enforcement
- 9103.16.110 Affordable Housing Trust Fund

9103.16.010 Purpose and Intent

The purpose of this Chapter is to require and facilitate the construction of below market-rate housing to provide a variety of housing types and opportunities for extremely low, very low, low- and moderate-income households in Arcadia. The goal of this Chapter is to expand the affordable housing stock in proportion with the overall increase in residential units by establishing standards and procedures that encourage the development of extremely low to moderate-income housing and to assist in meeting the City's regional share of housing needs and implementing the goals and objectives of the general plan, including the Housing Element and any applicable specific plans.

9103.16.020 Applicability

- A. The requirements of this Chapter shall apply to any new mixed-use or multi-family development project or condominium conversion projects comprised of ten or more dwelling units. All affordable units required by this Chapter shall be sold or rented in compliance with this Chapter.
- B. The total number of dwelling units shall be used to determine applicability for multi-phased residential projects and any development project that is comprised of less than ten dwelling units but appears to be a part of a larger residential project.

9103.16.030 Definitions

Adjusted for Household Size Appropriate for Unit. A household of one person in the case of a studio unit, two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit, four persons in the case of a three-bedroom unit, five persons in the case of a four-bedroom unit, six persons in the case of a five-bedroom unit, and seven persons in the case of a six-bedroom unit.

Affordable Housing Costs. The maximum costs that can be paid by a qualifying household based on the requirements imposed by California Health and Safety Code Section 50052.5 for owner-occupied housing, and the affordable rent for rental units as defined by California Health and Safety Code Section 50053, as applicable.

Affordable Housing Trust Fund. Any in-lieu fees or equity share payment collected as a result of requirements of this Chapter shall be deposited in the City's Affordable Housing Trust Fund to be used exclusively to develop and retain the supply of housing affordable to extremely low, very low, low, and moderate-income households.

Affordable Unit. A dwelling unit that will be offered for sale or rent to an extremely low-income household, a very low-income household, a low-income household, or a moderate-income household, at an affordable housing cost, in compliance with this Chapter.

Area Median Income (AMI). The annual median gross income adjusted for household size in Los Angeles County as determined by the United States Department of Housing and Urban Development (HUD) and published by the California Department of Housing & Community Development (HCD), in the California Code of Regulations, Title 25, Section 6932.

Condominium Conversion. Converting an existing market rate condominium and apartments into affordable housing. Converted condominiums and apartments shall be offered for sale or rent to an extremely low-income household, a very low-income household, a low-income household, moderate-income household, or workforce household at an affordable housing cost, in compliance with this Chapter.

Density Bonus. As defined in California Government Code Section 65915 et seq.

Equity Share Agreement. An agreement by which appreciation on the value of an inclusionary unit from the time of the original purchase at an affordable price to the time of resale shall be shared between the purchaser of the inclusionary unit and the City. Such an agreement shall be a condition of sale of the inclusionary unit.

Low-Income Household. As published and periodically updated by HCD pursuant to Health and Safety Code Section 50079.5.

Market Rate Unit. Dwelling unit in a residential development that can be purchased or rented at market rates. These units are not considered to be affordable units.

Moderate-Income Household. As published and periodically updated by HCD pursuant to Health and Safety Code Section 50093.

Offsite Construction. The development of required number of affordable units at a site different than the site of the residential project.

Phasing Plan. A detailed plan provided by a developer that outlines each segment or phase of construction including housing units and site improvements to be developed in a new residential project.

Residential Project. A subdivision, a development project, and/or a condominium conversion project resulting in the creation of ten (10) or more residential lots or ten (10) or more residential dwelling units.

Rehabilitation. Improvement of a unit in substandard condition to a decent, safe, and sanitary level. Units are in substandard condition when, while they may be structurally sound, they do not provide safe and adequate shelter, and in their present condition endanger the health, safety, or well-being of the occupants.

Total Housing Costs. The total monthly or annual recurring expenses required of a household to obtain shelter. For a rental unit, total housing costs shall include the monthly rent payment and utilities paid by the tenant (excluding telephone and television). For an ownership unit, total housing costs shall include the mortgage payment (principal and interest), insurance, homeowners' association dues (if applicable), private mortgage insurance (if applicable), taxes, maintenance costs, and utilities.

Very Low-Income Household. As published and periodically updated by HCD pursuant to Health and Safety Code Section 50105.

9103.16.040 Inclusionary Unit Requirement

A. The commonly used income categories are approximately as follows, as published and periodically updated by HCD pursuant to Health and Safety Code Sections 50105, 50079.5, and 50093, respectively. Income categories are subject to variations for household size and other factors:

- Very low income: 30% to 50% of AMI
- Low income: 50% to 80% of AMI
- Moderate income: 80% to 120% of AMI

B. All residential projects subject to requirements of this Chapter shall provide affordable units as shown in Table 3-18.

Table 3-18 Affordable Unit Requirements for Residential Projects	
Total Percentage of Affordable Units Required (minimum) ⁽¹⁾	Minimum Affordability Level of Required Units
Ownership Units	
5%	All required affordable units shall be sold to moderate-income households, at a cost affordable to such household.
Rental Units	
9%	All required affordable units shall be rented to very low-income households, at a cost affordable to such household.
11%	At least 5% of the total number of units in the residential project shall be rented to very low-income households, at a cost affordable to such household. The remaining 6% shall be rented to low-income households, at a cost affordable to such household.
14%	At least 14% of the total number of units in the residential project shall be rented to low-income households, at a cost affordable to such household.
20%	All required affordable units shall be rented to moderate-income households, at a cost affordable to such household.

Notes:

(1) of the total number of units in the residential project.

- C. An applicant may request to deviate from the number and affordability level provisions required by this Chapter if the proposed deviation provides the same or greater level of affordability required and the same or greater number of affordable units required by this Chapter. Such request requires an approval of the Director subject to the provisions of Section 9103.16.040 of this Chapter.
- D. When a residential development includes both ownership and rental units, the provisions of this Chapter that apply to ownership residential development shall apply to that portion of the development that consists of ownership dwelling units, while the provisions of this Chapter that apply to rental residential development shall apply to that portion of the development that consists of rental dwelling units.
- E. Affordable units required by this Chapter can be used to qualify for a density bonus under California Government Code Section 65915 (State Density Bonus).
- F. Notwithstanding any other provision of this Chapter, any residential project subject to this Chapter that results in the displacement of existing affordable unit(s) shall be required to replace each displaced affordable unit at the same or greater level of affordability of the existing unit, in addition to providing the number of affordable units required by this Chapter.

9103.16.050 Alternatives

An applicant may also satisfy the requirements of this Chapter through one of the following alternatives:

- A. **Offsite Construction.** An applicant may satisfy the requirements of this Chapter by developing the required number of affordable units at a site different than the site of the residential project. An applicant may develop the affordable units required by this Chapter if they satisfy the following conditions:
 1. The number of units to be developed offsite shall be consistent with the requirements of this Chapter.
 2. Offsite affordable units shall contain the same number of bedrooms, square footage, overall unit mix, appearance, finished quality, materials, and distribution as the non-affordable units in the project.
 3. Offsite affordable units shall be developed concurrently with the main project and certificate of occupancy will be contingent on final approval and inspection of the affordable units.
 4. Offsite affordable units shall be located within the City.
 5. Offsite affordable units shall be subject to the same requirements, standards, and procedures as onsite affordable units.

B. In-Lieu Fees.

1. Ownership Units. Applicants with development proposals of ten (10) or more units may choose to comply with the requirements of this Chapter through payment of a fee, in-lieu of providing the required affordable units on site.
2. Rental Units. Applicants with development proposals between ten (10) and thirty (30) units may choose to comply with the requirements of this Chapter through payment of a fee, in-lieu of providing the required affordable units on site. Applicants with development proposals greater than thirty (30) units must comply with the requirements of this Chapter by providing the required affordable units on- or off-site.
3. The amount of the fee shall be calculated using the fee schedule established by resolution of the City Council.
4. One-half of the in-lieu fees shall be paid prior to the issuance of a building permit for the project with the remaining fees due prior to the issuance of a certificate of occupancy.
5. Any fractional unit resulting from the calculation of the inclusionary requirement referenced in this Chapter will be rounded up to the next whole number or the developer may elect to pay the appropriate in-lieu fee for the fractional unit.
6. Fees collected in-lieu of developing affordable units pursuant to this Chapter shall be placed in the City's Affordable Housing Trust Fund.

9103.16.060 Incentives

- A. An applicant that meets the requirements of this Chapter may request the incentives identified in Table 3-19 below. The number of incentives provided shall be at the City's discretion.

Table 3-19 Types of Incentives and Review Authority		
Incentives	Review Authority	Special Provisions
Streamlined Entitlement Plan Check Review and Building Plan Check Review	Director	May also include pre-application meetings.
Deferral of Developer Impact Fee Payments	Director	Such deferred impact fees shall be fully paid prior to the issuance of a certificate of occupancy.
Partial or full waiver of building permit fees	Director	-
Partial or full waiver of required development fees	Planning Commission	-
Reasonable alternatives	Planning Commission	City Council approval required if the requested alternative has budgetary implication to the City

- B. If the residential project subject to this Chapter is also utilizing State Density Bonus provisions, such project is eligible to request the number and types of incentives allowed in this Chapter and by State Density Bonus provisions.
- C. At the discretion of the City Council, the City may offer a financial incentive using funds from the Affordable Housing Trust Fund.

9103.16.070 Exemptions

The provisions of this Chapter shall not apply to the following:

- A. Residential developments with nine (9) or fewer units.
- B. Residential projects that obtain entitlement approvals prior to the adoption of this Chapter.
- C. Reconstruction of structures which have been damaged by fire, flood, wind, earthquake, or other unforeseen force, as determined by the Director or designee.

- D. Residential projects that are exempt from this Chapter by State law.
- E. Units approved as accessory dwelling units or junior accessory dwelling units.

9103.16.080 Standards and Procedures

The applicant of a project subject to the provisions of this Chapter must submit an Affordable Housing Plan which shall indicate the scheduling and phasing of construction of the required affordable units. The Affordable Housing Plan requirements can be found in Section 9103.16.090. Additionally, projects pursuant to this Chapter must comply with the following standards.

- A. All affordable units in a residential project or phases of a residential project shall be constructed prior to the issuance of a certificate of occupancy for the project or phase of the project
- B. All affordable units shall be reasonably dispersed throughout the project site unless approval for an off-site location has been granted.
- C. The affordable units shall contain the same number of bedrooms and bedroom size as the market rate units in the project. The unit mix for bedroom count shall be proportional to the unit mix of market rate units in the project.
- D. The materials and finished quality of the affordable units shall be comparable with the market rate units.
- E. Affordable units shall have the same access to amenities as the market-rate units, including common spaces, parking, laundry rooms, fitness centers, and other facilities in the residential development.
- F. Affordable units required under this Chapter shall be retained as affordable units as follows:
 - 1. For sale units: Cumulative forty-five (45) years or until sold or transferred with an equity share, whichever occurs first.
 - 2. Rental units: Cumulative fifty-five (55) years.
- G. The affordability period begins upon the initial sale or rental of the unit.
- H. An equity share agreement for any inclusionary units that are for-sale shall be in a form approved by the Director and City Attorney in conformance with this chapter.

9103.16.090 Affordable Housing Plan and Agreement

- A. Affordable Housing Plan.
 - 1. An application for a residential development shall include an Affordable Housing Plan describing how the development will comply with the provisions of this Chapter. The Director or their designee is the reviewing authority for reviewing and approving an Affordable Housing Plan. No application for a residential development may be deemed complete unless an Affordable Housing Plan is submitted in conformance with this Chapter. The City has the ability to attach conditions of approval to an Affordable Housing Plan, if determined necessary.
 - 2. An approved Affordable Housing Plan may be amended prior to issuance of any building permit for the residential development or project phase. A request for a minor modification may be granted by the Director or their designee if the modification is in substantial compliance with the original Affordable Housing Plan and conditions of approval. If significant modifications are requested, a new Affordable Housing Plan may be required.
 - 3. An Affordable Housing Plan shall include, but not be limited to, the following:
 - a. The number of affordable units proposed, with calculations;
 - b. The proposed location of the affordable units;

- c. Level of affordability for affordable units;
- d. The unit square footage, and number of bedrooms for market rate and affordable units and tenure (ownership or rental);
- e. Amenities and services provided, such as common spaces, parking, laundry rooms, fitness centers, and other facilities in the residential development;
- f. Construction schedule for all units;
- g. Alternatives requested, if applicable;
- h. Incentives requested, if applicable; and
- i. Evidence to justify any requested alternative or incentive, if applicable.

B. Affordable Housing Agreement.

1. An applicant shall enter into an Affordable Housing Agreement with the City. The Affordable Housing Agreement shall be approved by the City Attorney, and executed by the City Manager or their designee, to ensure that all the requirements of this Chapter are satisfied. The Affordable Housing Agreement shall be recorded against the residential development prior to final subdivision map approval, or, where a subdivision map is not being processed, prior to issuance of any building permits, with the exception of demolition permits for such parcels or units. The agreement shall be recorded with the office of the Los Angeles County Recorder. The Affordable Housing Agreement shall be binding on the applicant and all future owners and successors in interest thereof.
2. The Affordable Housing Agreement shall include all information requested in the Affordable Housing Plan and any other provisions necessary to ensure that the requirements of this Chapter are satisfied.
3. The Affordable Housing Agreement shall include the procedures for income verification of potential purchasers or renters.

9103.16.100 Enforcement

- A. The Director, or their designee, may suspend, revoke, or deny any building permit or other approval upon finding a violation of any provision of this Chapter. The provisions of this Chapter shall apply to all owners, agents, and successors of an applicant proposing a project. No entitlement approval, grading permit, building permit or certificate of occupancy shall be issued if it is found in noncompliance with the provisions of this Chapter.
- B. Any individual or entity who sells or rents an affordable unit in violation of the provisions of this Chapter shall be required to forfeit all monetary gains obtained through noncompliance. Recovered funds shall be deposited into the Affordable Housing Trust Fund.
- C. The City may use any appropriate legal actions or proceedings necessary to ensure compliance with this Chapter, including but not limited to:
 1. Actions to revoke, suspend, or deny any grading permit, building permit, certificate of occupancy, or discretionary approval.
 2. Any other action, civil or criminal, authorized by law or by any regulatory document, restriction, or agreement in this Chapter.
- D. The City shall be entitled to recover its reasonable attorney's fees and costs.

9103.16.110 Affordable Housing Trust Fund

Any in-lieu fees or equity share payment collected as a result of requirements of this Chapter shall be deposited in the City's Affordable Housing Trust Fund to be used exclusively to develop and retain the supply of housing affordable to extremely low, very low, low, and moderate-income households. The City shall provide ongoing implementation programs utilizing funds deposited in the Affordable Housing Trust Fund for the benefit of extremely low, very low, low, and moderate-income households.

ATTACHMENT 3
STATE DENSITY BONUS LAW
GOVERNMENT CODE SECTION 65915 ET SEQ.



State of California

GOVERNMENT CODE

Section 65915

65915. (a) (1) When an applicant seeks a density bonus for a housing development within, or for the donation of land for housing within, the jurisdiction of a city, county, or city and county, that local government shall comply with this section. A city, county, or city and county shall adopt an ordinance that specifies how compliance with this section will be implemented. Except as otherwise provided in subdivision (s), failure to adopt an ordinance shall not relieve a city, county, or city and county from complying with this section.

(2) A local government shall not condition the submission, review, or approval of an application pursuant to this chapter on the preparation of an additional report or study that is not otherwise required by state law, including this section. This subdivision does not prohibit a local government from requiring an applicant to provide reasonable documentation to establish eligibility for a requested density bonus, as described in subdivision (b), and parking ratios, as described in subdivision (p).

(3) In order to provide for the expeditious processing of a density bonus application, the local government shall do all of the following:

(A) Adopt procedures and timelines for processing a density bonus application.

(B) Provide a list of all documents and information required to be submitted with the density bonus application in order for the density bonus application to be deemed complete. This list shall be consistent with this chapter.

(C) Notify the applicant for a density bonus whether the application is complete in a manner consistent with the timelines specified in Section 65943.

(D) (i) If the local government notifies the applicant that the application is deemed complete pursuant to subparagraph (C), provide the applicant with a determination as to the following matters:

(I) The amount of density bonus, calculated pursuant to subdivision (f), for which the applicant is eligible.

(II) If the applicant requests a parking ratio pursuant to subdivision (p), the parking ratio for which the applicant is eligible.

(III) If the applicant requests incentives or concessions pursuant to subdivision (d) or waivers or reductions of development standards pursuant to subdivision (e), whether the applicant has provided adequate information for the local government to make a determination as to those incentives, concessions, waivers, or reductions of development standards.

(ii) Any determination required by this subparagraph shall be based on the development project at the time the application is deemed complete. The local government shall adjust the amount of density bonus and parking ratios awarded

pursuant to this section based on any changes to the project during the course of development.

(b) (1) A city, county, or city and county shall grant one density bonus, the amount of which shall be as specified in subdivision (f), and, if requested by the applicant and consistent with the applicable requirements of this section, incentives or concessions, as described in subdivision (d), waivers or reductions of development standards, as described in subdivision (e), and parking ratios, as described in subdivision (p), if an applicant for a housing development seeks and agrees to construct a housing development, excluding any units permitted by the density bonus awarded pursuant to this section, that will contain at least any one of the following:

(A) Ten percent of the total units of a housing development, including a shared housing building development, for rental or sale to lower income households, as defined in Section 50079.5 of the Health and Safety Code.

(B) Five percent of the total units of a housing development, including a shared housing building development, for rental or sale to very low income households, as defined in Section 50105 of the Health and Safety Code.

(C) A senior citizen housing development, as defined in Sections 51.3 and 51.12 of the Civil Code, or a mobilehome park that limits residency based on age requirements for housing for older persons pursuant to Section 798.76 or 799.5 of the Civil Code. For purposes of this subparagraph, “development” includes a shared housing building development and a residential care facility for the elderly, as defined in Section 1569.2 of the Health and Safety Code.

(D) Ten percent of the total dwelling units of a housing development are sold to persons and families of moderate income, as defined in Section 50093 of the Health and Safety Code, provided that all units in the development are offered to the public for purchase.

(E) Ten percent of the total units of a housing development for transitional foster youth, as defined in Section 66025.9 of the Education Code, disabled veterans, as defined in Section 18541, or homeless persons, as defined in the federal McKinney-Vento Homeless Assistance Act (42 U.S.C. Sec. 11301 et seq.). The units described in this subparagraph are subject to a recorded affordability restriction of 55 years and shall be provided at the same affordability level as very low income units.

(F) (i) Twenty percent of the total units for lower income students in a student housing development that meets the following requirements:

(I) All units in the student housing development shall be used exclusively for undergraduate, graduate, or professional students enrolled currently or in the past six months in at least six units at an institution of higher education accredited by the Western Association of Schools and Colleges or the Accrediting Commission for Community and Junior Colleges. In order to be eligible under this subclause, the developer shall, as a condition of receiving a certificate of occupancy, provide evidence to the city, county, or city and county that the developer has done any one of the following:

(ia) Entered into an operating agreement or master lease with one or more institutions of higher education for the institution or institutions to occupy all units of the student housing development with students from that institution or institutions. An operating agreement or master lease entered into pursuant to this subclause is not violated or breached if, in any subsequent year, there are insufficient students enrolled in an institution of higher education to fill all units in the student housing development.

(ib) Established a system for confirming its renters' status as students to ensure that all units of the student housing development are occupied with students from an institution of higher education.

(II) The applicable units in the student housing development for lower income students shall be used for and occupied by lower income students.

(III) The rent provided in the applicable units of the development for lower income students shall be calculated at 30 percent of 65 percent of the area median income for a single-room occupancy unit type.

(IV) The development shall provide priority for the applicable affordable units for lower income students experiencing homelessness. A homeless service provider, as defined in paragraph (3) of subdivision (e) of Section 103577 of the Health and Safety Code, or institution of higher education that has knowledge of a person's homeless status may verify a person's status as homeless for purposes of this subclause.

(V) The student housing development is not located on a site that pursuant to paragraph (3) of subdivision (c) would require replacement units for projects with greater than a 35 percent density bonus.

(ii) For purposes of calculating a density bonus granted pursuant to this subparagraph, the term "unit" as used in this section means one rental bed and its pro rata share of associated common area facilities. The units described in this subparagraph are subject to a recorded affordability restriction of 55 years, which shall not tie any rental bed reserved for lower income students to a specific bedroom. Notwithstanding any other law, an affordability restriction provision, state or county law or policy, or property management policy shall not prevent a lower income student from sharing a room or unit with a nonlower income student. Any attempted waiver of the requirements of this clause is void as against public policy.

(G) One hundred percent of all units in the development, including total units and density bonus units, but exclusive of a manager's unit or units, are for lower income households, as defined by Section 50079.5 of the Health and Safety Code, except that up to 20 percent of the units in the development, including total units and density bonus units, may be for moderate-income households, as defined in Section 50053 of the Health and Safety Code. For purposes of this subparagraph, "development" includes a shared housing building development.

(2) For purposes of calculating the amount of the density bonus pursuant to subdivision (f), an applicant who requests a density bonus pursuant to this subdivision shall elect whether the bonus shall be awarded on the basis of subparagraph (A), (B), (C), (D), (E), (F), or (G) of paragraph (1).

(c) (1) (A) An applicant shall agree to, and the city, county, or city and county shall ensure, the continued affordability of all very low and low-income rental units

that qualified the applicant for the award of the density bonus for 55 years or a longer period of time if required by the construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program.

(B) (i) Except as otherwise provided in clause (ii), rents for the lower income density bonus units shall be set at an affordable rent, as defined in Section 50053 of the Health and Safety Code.

(ii) For housing developments meeting the criteria of subparagraph (G) of paragraph (1) of subdivision (b), rents for all units in the development, including both base density and density bonus units, shall be as follows:

(I) The rent for at least 20 percent of the units in the development shall be set at an affordable rent, as defined in Section 50053 of the Health and Safety Code.

(II) The rent for the remaining units in the development shall be set at an amount consistent with the maximum rent levels for lower income households, as those rents and incomes are determined by the California Tax Credit Allocation Committee.

(2) (A) An applicant shall agree to ensure, and the city, county, or city and county shall ensure, that a for-sale unit that qualified the applicant for the award of the density bonus meets one of the following conditions:

(i) The unit is initially sold to and occupied by a person or family of very low, low, or moderate income, as required, and it is offered at an affordable housing cost, as that cost is defined in Section 50052.5 of the Health and Safety Code and is subject to an equity sharing agreement.

(ii) If the unit is not purchased by an income-qualified person or family within 180 days after the issuance of the certificate of occupancy, the unit is purchased by a qualified nonprofit housing corporation that meets all of the following requirements pursuant to a recorded contract that satisfies all of the requirements specified in paragraph (10) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code:

(I) The nonprofit corporation has a determination letter from the Internal Revenue Service affirming its tax-exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as that term is defined in Section 509 of the Internal Revenue Code.

(II) The nonprofit corporation is based in California.

(III) All of the board members of the nonprofit corporation have their primary residence in California.

(IV) The primary activity of the nonprofit corporation is the development and preservation of affordable home ownership housing in California that incorporates within their contracts for initial purchase a repurchase option that requires a subsequent purchaser of the property that desires to resell or convey the property to offer the qualified nonprofit corporation the right to repurchase the property prior to selling or conveying that property to any other purchaser pursuant to an equity sharing agreement or affordability restrictions on the sale and conveyance of the property that ensure that the property will be preserved for lower income housing for at least 45 years for owner-occupied housing units and will be sold or resold only to persons or families of very low, low, or moderate income, as defined in Section 50052.5 of the Health and Safety Code.

(B) For purposes of this paragraph, a “qualified nonprofit housing corporation” is a nonprofit housing corporation organized pursuant to Section 501(c)(3) of the Internal Revenue Code that has received a welfare exemption under Section 214.15 of the Revenue and Taxation Code for properties intended to be sold to low-income families who participate in a special no-interest loan program.

(C) The local government shall enforce an equity sharing agreement required pursuant to clause (i) or (ii) of subparagraph (A), unless it is in conflict with the requirements of another public funding source or law or may defer to the recapture provisions of the public funding source. The following apply to the equity sharing agreement:

(i) Upon resale, the seller of the unit shall retain the value of any improvements, the downpayment, and the seller’s proportionate share of appreciation.

(ii) Except as provided in clause (v), the local government shall recapture any initial subsidy, as defined in clause (iii), and its proportionate share of appreciation, as defined in clause (iv), which amount shall be used within five years for any of the purposes described in subdivision (e) of Section 33334.2 of the Health and Safety Code that promote homeownership.

(iii) For purposes of this subdivision, the local government’s initial subsidy shall be equal to the fair market value of the home at the time of initial sale minus the initial sale price to the moderate-income household, plus the amount of any downpayment assistance or mortgage assistance. If upon resale the market value is lower than the initial market value, then the value at the time of the resale shall be used as the initial market value.

(iv) For purposes of this subdivision, the local government’s proportionate share of appreciation shall be equal to the ratio of the local government’s initial subsidy to the fair market value of the home at the time of initial sale.

(v) If the unit is purchased or developed by a qualified nonprofit housing corporation pursuant to clause (ii) of subparagraph (A) the local government may enter into a contract with the qualified nonprofit housing corporation under which the qualified nonprofit housing corporation would recapture any initial subsidy and its proportionate share of appreciation if the qualified nonprofit housing corporation is required to use 100 percent of the proceeds to promote homeownership for lower income households as defined by Section 50079.5 of the Health and Safety Code within the jurisdiction of the local government.

(3) (A) Except as provided in subclause (V) of clause (i) of subparagraph (F) of paragraph (1) of subdivision (b), an applicant shall be ineligible for a density bonus or any other incentives or concessions under this section if the housing development is proposed on any property that includes a parcel or parcels on which rental dwelling units are located or, if the dwelling units have been vacated or demolished in the five-year period preceding the application, have been subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of lower or very low income; subject to any other form of rent or price control through a public entity’s valid exercise of its police power; or occupied by lower or very low

income households, unless the proposed housing development replaces those units, and either of the following applies:

(i) The proposed housing development, inclusive of the units replaced pursuant to this paragraph, contains affordable units at the percentages set forth in subdivision (b).

(ii) Each unit in the development, exclusive of a manager's unit or units, is affordable to, and occupied by, either a lower or very low income household.

(B) For the purposes of this paragraph, "replace" shall mean either of the following:

(i) If any dwelling units described in subparagraph (A) are occupied on the date of application, the proposed housing development shall provide at least the same number of units of equivalent size to be made available at affordable rent or affordable housing cost to, and occupied by, persons and families in the same or lower income category as those households in occupancy. If the income category of the household in occupancy is not known, it shall be rebuttably presumed that lower income renter households occupied these units in the same proportion of lower income renter households to all renter households within the jurisdiction, as determined by the most recently available data from the United States Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy database. For unoccupied dwelling units described in subparagraph (A) in a development with occupied units, the proposed housing development shall provide units of equivalent size to be made available at affordable rent or affordable housing cost to, and occupied by, persons and families in the same or lower income category as the last household in occupancy. If the income category of the last household in occupancy is not known, it shall be rebuttably presumed that lower income renter households occupied these units in the same proportion of lower income renter households to all renter households within the jurisdiction, as determined by the most recently available data from the United States Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy database. All replacement calculations resulting in fractional units shall be rounded up to the next whole number. If the replacement units will be rental dwelling units, these units shall be subject to a recorded affordability restriction for at least 55 years. If the proposed development is for-sale units, the units replaced shall be subject to paragraph (2).

(ii) If all dwelling units described in subparagraph (A) have been vacated or demolished within the five-year period preceding the application, the proposed housing development shall provide at least the same number of units of equivalent size as existed at the highpoint of those units in the five-year period preceding the application to be made available at affordable rent or affordable housing cost to, and occupied by, persons and families in the same or lower income category as those persons and families in occupancy at that time, if known. If the incomes of the persons and families in occupancy at the highpoint is not known, it shall be rebuttably presumed that low-income and very low income renter households occupied these units in the same proportion of low-income and very low income renter households to all renter households within the jurisdiction, as determined by the most recently available data from the United States Department of Housing and Urban Development's

Comprehensive Housing Affordability Strategy database. All replacement calculations resulting in fractional units shall be rounded up to the next whole number. If the replacement units will be rental dwelling units, these units shall be subject to a recorded affordability restriction for at least 55 years. If the proposed development is for-sale units, the units replaced shall be subject to paragraph (2).

(C) Notwithstanding subparagraph (B), for any dwelling unit described in subparagraph (A) that is or was, within the five-year period preceding the application, subject to a form of rent or price control through a local government's valid exercise of its police power and that is or was occupied by persons or families above lower income, the city, county, or city and county may do either of the following:

(i) Require that the replacement units be made available at affordable rent or affordable housing cost to, and occupied by, low-income persons or families. If the replacement units will be rental dwelling units, these units shall be subject to a recorded affordability restriction for at least 55 years. If the proposed development is for-sale units, the units replaced shall be subject to paragraph (2).

(ii) Require that the units be replaced in compliance with the jurisdiction's rent or price control ordinance, provided that each unit described in subparagraph (A) is replaced. Unless otherwise required by the jurisdiction's rent or price control ordinance, these units shall not be subject to a recorded affordability restriction.

(D) For purposes of this paragraph, "equivalent size" means that the replacement units contain at least the same total number of bedrooms as the units being replaced.

(E) Subparagraph (A) does not apply to an applicant seeking a density bonus for a proposed housing development if the applicant's application was submitted to, or processed by, a city, county, or city and county before January 1, 2015.

(d) (1) An applicant for a density bonus pursuant to subdivision (b) may submit to a city, county, or city and county a proposal for the specific incentives or concessions that the applicant requests pursuant to this section, and may request a meeting with the city, county, or city and county. The city, county, or city and county shall grant the concession or incentive requested by the applicant unless the city, county, or city and county makes a written finding, based upon substantial evidence, of any of the following:

(A) The concession or incentive does not result in identifiable and actual cost reductions, consistent with subdivision (k), to provide for affordable housing costs, as defined in Section 50052.5 of the Health and Safety Code, or for rents for the targeted units to be set as specified in subdivision (c).

(B) The concession or incentive would have a specific, adverse impact, as defined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact without rendering the development unaffordable to low-income and moderate-income households.

(C) The concession or incentive would be contrary to state or federal law.

(2) The applicant shall receive the following number of incentives or concessions:

(A) One incentive or concession for projects that include at least 10 percent of the total units for lower income households, at least 5 percent for very low income households, or at least 10 percent for persons and families of moderate income in a development in which the units are for sale.

(B) Two incentives or concessions for projects that include at least 17 percent of the total units for lower income households, at least 10 percent for very low income households, or at least 20 percent for persons and families of moderate income in a development in which the units are for sale.

(C) Three incentives or concessions for projects that include at least 24 percent of the total units for lower income households, at least 15 percent for very low income households, or at least 30 percent for persons and families of moderate income in a development in which the units are for sale.

(D) Five incentives or concessions for a project meeting the criteria of subparagraph (G) of paragraph (1) of subdivision (b). If the project is located within one-half mile of a major transit stop or is located in a very low vehicle travel area in a designated county, the applicant shall also receive a height increase of up to three additional stories, or 33 feet.

(E) One incentive or concession for projects that include at least 20 percent of the total units for lower income students in a student housing development. If a project includes at least 23 percent of the total units for lower income students in a student housing project, the applicant shall instead receive two incentives or concessions.

(F) Four incentives or concessions for projects that include at least 16 percent of the units for very low income households or at least 45 percent for persons and families of moderate income in a development in which the units are for sale.

(3) The applicant may initiate judicial proceedings if the city, county, or city and county refuses to grant a requested density bonus, incentive, or concession. If a court finds that the refusal to grant a requested density bonus, incentive, or concession is in violation of this section, the court shall award the plaintiff reasonable attorney's fees and costs of suit. This subdivision shall not be interpreted to require a local government to grant an incentive or concession that has a specific, adverse impact, as defined in paragraph (2) of subdivision (d) of Section 65589.5, upon health or safety, and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact. This subdivision shall not be interpreted to require a local government to grant an incentive or concession that would have an adverse impact on any real property that is listed in the California Register of Historical Resources. The city, county, or city and county shall establish procedures for carrying out this section that shall include legislative body approval of the means of compliance with this section.

(4) The city, county, or city and county shall bear the burden of proof for the denial of a requested concession or incentive.

(e) (1) In no case may a city, county, or city and county apply any development standard that will have the effect of physically precluding the construction of a development meeting the criteria of subdivision (b) at the densities or with the concessions or incentives permitted by this section. Subject to paragraph (3), an

applicant may submit to a city, county, or city and county a proposal for the waiver or reduction of development standards that will have the effect of physically precluding the construction of a development meeting the criteria of subdivision (b) at the densities or with the concessions or incentives permitted under this section, and may request a meeting with the city, county, or city and county. If a court finds that the refusal to grant a waiver or reduction of development standards is in violation of this section, the court shall award the plaintiff reasonable attorney’s fees and costs of suit. This subdivision shall not be interpreted to require a local government to waive or reduce development standards if the waiver or reduction would have a specific, adverse impact, as defined in paragraph (2) of subdivision (d) of Section 65589.5, upon health or safety, and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact. This subdivision shall not be interpreted to require a local government to waive or reduce development standards that would have an adverse impact on any real property that is listed in the California Register of Historical Resources, or to grant any waiver or reduction that would be contrary to state or federal law.

(2) A proposal for the waiver or reduction of development standards pursuant to this subdivision shall neither reduce nor increase the number of incentives or concessions to which the applicant is entitled pursuant to subdivision (d).

(3) A housing development that receives a waiver from any maximum controls on density pursuant to clause (ii) of subparagraph (D) of paragraph (3) of subdivision (f) shall only be eligible for a waiver or reduction of development standards as provided in subparagraph (D) of paragraph (2) of subdivision (d) and clause (ii) of subparagraph (D) of paragraph (3) of subdivision (f), unless the city, county, or city and county agrees to additional waivers or reductions of development standards.

(f) For the purposes of this chapter, “density bonus” means a density increase over the otherwise maximum allowable gross residential density, as of the date of application by the applicant to the city, county, or city and county, or, if elected by the applicant, a lesser percentage of density increase, including, but not limited to, no increase in density. The amount of density increase to which the applicant is entitled shall vary according to the amount by which the percentage of affordable housing units exceeds the percentage established in subdivision (b).

(1) For housing developments meeting the criteria of subparagraph (A) of paragraph (1) of subdivision (b), the density bonus shall be calculated as follows:

Percentage Low-Income Units	Percentage Density Bonus
10	20
11	21.5
12	23
13	24.5
14	26
15	27.5
16	29

17	30.5
18	32
19	33.5
20	35
21	38.75
22	42.5
23	46.25
24	50

(2) For housing developments meeting the criteria of subparagraph (B) of paragraph (1) of subdivision (b), the density bonus shall be calculated as follows:

Percentage Very Low Income Units	Percentage Density Bonus
5	20
6	22.5
7	25
8	27.5
9	30
10	32.5
11	35
12	38.75
13	42.5
14	46.25
15	50

(3) (A) For housing developments meeting the criteria of subparagraph (C) of paragraph (1) of subdivision (b), the density bonus shall be 20 percent of the number of senior housing units.

(B) For housing developments meeting the criteria of subparagraph (E) of paragraph (1) of subdivision (b), the density bonus shall be 20 percent of the number of the type of units giving rise to a density bonus under that subparagraph.

(C) For housing developments meeting the criteria of subparagraph (F) of paragraph (1) of subdivision (b), the density bonus shall be calculated as follows:

Percentage Lower Income Units	Percentage Density Bonus
20	35
21	38.75
22	42.5
23	46.25
24	50

(D) For housing developments meeting the criteria of subparagraph (G) of paragraph (1) of subdivision (b), the following shall apply:

(i) Except as otherwise provided in clauses (ii) and (iii), the density bonus shall be 80 percent of the number of units for lower income households.

(ii) If the housing development is located within one-half mile of a major transit stop, the city, county, or city and county shall not impose any maximum controls on density.

(iii) If the housing development is located in a very low vehicle travel area within a designated county, the city, county, or city and county shall not impose any maximum controls on density.

(4) For housing developments meeting the criteria of subparagraph (D) of paragraph (1) of subdivision (b), the density bonus shall be calculated as follows:

Percentage Moderate-Income Units	Percentage Density Bonus
10	5
11	6
12	7
13	8
14	9
15	10
16	11
17	12
18	13
19	14
20	15
21	16
22	17
23	18
24	19
25	20
26	21
27	22
28	23
29	24
30	25
31	26
32	27
33	28
34	29
35	30
36	31
37	32
38	33
39	34
40	35
41	38.75

42	42.5
43	46.25
44	50

(5) All density calculations resulting in fractional units shall be rounded up to the next whole number. The granting of a density bonus shall not require, or be interpreted, in and of itself, to require a general plan amendment, local coastal plan amendment, zoning change, or other discretionary approval.

(g) (1) When an applicant for a tentative subdivision map, parcel map, or other residential development approval donates land to a city, county, or city and county in accordance with this subdivision, the applicant shall be entitled to a 15-percent increase above the otherwise maximum allowable residential density for the entire development, as follows:

Percentage Very Low Income	Percentage Density Bonus
10	15
11	16
12	17
13	18
14	19
15	20
16	21
17	22
18	23
19	24
20	25
21	26
22	27
23	28
24	29
25	30
26	31
27	32
28	33
29	34
30	35

(2) This increase shall be in addition to any increase in density mandated by subdivision (b), up to a maximum combined mandated density increase of 35 percent if an applicant seeks an increase pursuant to both this subdivision and subdivision (b). All density calculations resulting in fractional units shall be rounded up to the next whole number. Nothing in this subdivision shall be construed to enlarge or diminish the authority of a city, county, or city and county to require a developer to donate land as a condition of development. An applicant shall be eligible for the

increased density bonus described in this subdivision if all of the following conditions are met:

(A) The applicant donates and transfers the land no later than the date of approval of the final subdivision map, parcel map, or residential development application.

(B) The developable acreage and zoning classification of the land being transferred are sufficient to permit construction of units affordable to very low income households in an amount not less than 10 percent of the number of residential units of the proposed development.

(C) The transferred land is at least one acre in size or of sufficient size to permit development of at least 40 units, has the appropriate general plan designation, is appropriately zoned with appropriate development standards for development at the density described in paragraph (3) of subdivision (c) of Section 65583.2, and is or will be served by adequate public facilities and infrastructure.

(D) The transferred land shall have all of the permits and approvals, other than building permits, necessary for the development of the very low income housing units on the transferred land, not later than the date of approval of the final subdivision map, parcel map, or residential development application, except that the local government may subject the proposed development to subsequent design review to the extent authorized by subdivision (i) of Section 65583.2 if the design is not reviewed by the local government before the time of transfer.

(E) The transferred land and the affordable units shall be subject to a deed restriction ensuring continued affordability of the units consistent with paragraphs (1) and (2) of subdivision (c), which shall be recorded on the property at the time of the transfer.

(F) The land is transferred to the local agency or to a housing developer approved by the local agency. The local agency may require the applicant to identify and transfer the land to the developer.

(G) The transferred land shall be within the boundary of the proposed development or, if the local agency agrees, within one-quarter mile of the boundary of the proposed development.

(H) A proposed source of funding for the very low income units shall be identified not later than the date of approval of the final subdivision map, parcel map, or residential development application.

(h) (1) When an applicant proposes to construct a housing development that conforms to the requirements of subdivision (b) and includes a childcare facility that will be located on the premises of, as part of, or adjacent to, the project, the city, county, or city and county shall grant either of the following:

(A) An additional density bonus that is an amount of square feet of residential space that is equal to or greater than the amount of square feet in the childcare facility.

(B) An additional concession or incentive that contributes significantly to the economic feasibility of the construction of the childcare facility.

(2) The city, county, or city and county shall require, as a condition of approving the housing development, that the following occur:

(A) The childcare facility shall remain in operation for a period of time that is as long as or longer than the period of time during which the density bonus units are required to remain affordable pursuant to subdivision (c).

(B) Of the children who attend the childcare facility, the children of very low income households, lower income households, or families of moderate income shall equal a percentage that is equal to or greater than the percentage of dwelling units that are required for very low income households, lower income households, or families of moderate income pursuant to subdivision (b).

(3) Notwithstanding any requirement of this subdivision, a city, county, or city and county shall not be required to provide a density bonus or concession for a childcare facility if it finds, based upon substantial evidence, that the community has adequate childcare facilities.

(4) "Childcare facility," as used in this section, means a child daycare facility other than a family daycare home, including, but not limited to, infant centers, preschools, extended daycare facilities, and schoolage childcare centers.

(i) "Housing development," as used in this section, means a development project for five or more residential units, including mixed-use developments. For the purposes of this section, "housing development" also includes a subdivision or common interest development, as defined in Section 4100 of the Civil Code, approved by a city, county, or city and county and consists of residential units or unimproved residential lots and either a project to substantially rehabilitate and convert an existing commercial building to residential use or the substantial rehabilitation of an existing multifamily dwelling, as defined in subdivision (d) of Section 65863.4, where the result of the rehabilitation would be a net increase in available residential units. For the purpose of calculating a density bonus, the residential units shall be on contiguous sites that are the subject of one development application, but do not have to be based upon individual subdivision maps or parcels. The density bonus shall be permitted in geographic areas of the housing development other than the areas where the units for the lower income households are located.

(j) (1) The granting of a concession or incentive shall not require or be interpreted, in and of itself, to require a general plan amendment, local coastal plan amendment, zoning change, study, or other discretionary approval. For purposes of this subdivision, "study" does not include reasonable documentation to establish eligibility for the concession or incentive or to demonstrate that the incentive or concession meets the definition set forth in subdivision (k). This provision is declaratory of existing law.

(2) Except as provided in subdivisions (d) and (e), the granting of a density bonus shall not require or be interpreted to require the waiver of a local ordinance or provisions of a local ordinance unrelated to development standards.

(k) For the purposes of this chapter, concession or incentive means any of the following:

(1) A reduction in site development standards or a modification of zoning code requirements or architectural design requirements that exceed the minimum building standards approved by the California Building Standards Commission as provided in Part 2.5 (commencing with Section 18901) of Division 13 of the Health and Safety

Code, including, but not limited to, a reduction in setback and square footage requirements and in the ratio of vehicular parking spaces that would otherwise be required that results in identifiable and actual cost reductions, to provide for affordable housing costs, as defined in Section 50052.5 of the Health and Safety Code, or for rents for the targeted units to be set as specified in subdivision (c).

(2) Approval of mixed-use zoning in conjunction with the housing project if commercial, office, industrial, or other land uses will reduce the cost of the housing development and if the commercial, office, industrial, or other land uses are compatible with the housing project and the existing or planned development in the area where the proposed housing project will be located.

(3) Other regulatory incentives or concessions proposed by the developer or the city, county, or city and county that result in identifiable and actual cost reductions to provide for affordable housing costs, as defined in Section 50052.5 of the Health and Safety Code, or for rents for the targeted units to be set as specified in subdivision (c).

(l) Subdivision (k) does not limit or require the provision of direct financial incentives for the housing development, including the provision of publicly owned land, by the city, county, or city and county, or the waiver of fees or dedication requirements.

(m) This section does not supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code). Any density bonus, concessions, incentives, waivers or reductions of development standards, and parking ratios to which the applicant is entitled under this section shall be permitted in a manner that is consistent with this section and Division 20 (commencing with Section 30000) of the Public Resources Code.

(n) If permitted by local ordinance, nothing in this section shall be construed to prohibit a city, county, or city and county from granting a density bonus greater than what is described in this section for a development that meets the requirements of this section or from granting a proportionately lower density bonus than what is required by this section for developments that do not meet the requirements of this section.

(o) For purposes of this section, the following definitions shall apply:

(1) "Designated county" includes the Counties of Alameda, Contra Costa, Los Angeles, Marin, Napa, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Mateo, Santa Barbara, Santa Clara, Solano, Sonoma, and Ventura, and the City and County of San Francisco.

(2) "Development standard" includes a site or construction condition, including, but not limited to, a height limitation, a setback requirement, a floor area ratio, an onsite open-space requirement, a minimum lot area per unit requirement, or a parking ratio that applies to a residential development pursuant to any ordinance, general plan element, specific plan, charter, or other local condition, law, policy, resolution, or regulation that is adopted by the local government or that is enacted by the local government's electorate exercising its local initiative or referendum power, whether

that power is derived from the California Constitution, statute, or the charter or ordinances of the local government.

(3) “Located within one-half mile of a major transit stop” means that any point on a proposed development, for which an applicant seeks a density bonus, other incentives or concessions, waivers or reductions of development standards, or a vehicular parking ratio pursuant to this section, is within one-half mile of any point on the property on which a major transit stop is located, including any parking lot owned by the transit authority or other local agency operating the major transit stop.

(4) “Lower income student” means a student who has a household income and asset level that does not exceed the level for Cal Grant A or Cal Grant B award recipients as set forth in subdivision (k) of Section 69432.7 of the Education Code. The eligibility of a student to occupy a unit for lower income students under this section shall be verified by an affidavit, award letter, or letter of eligibility provided by the institution of higher education in which the student is enrolled or by the California Student Aid Commission that the student receives or is eligible for financial aid, including an institutional grant or fee waiver from the college or university, the California Student Aid Commission, or the federal government.

(5) “Major transit stop” has the same meaning as defined in subdivision (b) of Section 21155 of the Public Resources Code.

(6) “Maximum allowable residential density” or “base density” means the greatest number of units allowed under the zoning ordinance, specific plan, or land use element of the general plan, or, if a range of density is permitted, means the greatest number of units allowed by the specific zoning range, specific plan, or land use element of the general plan applicable to the project. Density shall be determined using dwelling units per acre. However, if the applicable zoning ordinance, specific plan, or land use element of the general plan does not provide a dwelling-units-per-acre standard for density, then the local agency shall calculate the number of units by:

(A) Estimating the realistic development capacity of the site based on the objective development standards applicable to the project, including, but not limited to, floor area ratio, site coverage, maximum building height and number of stories, building setbacks and stepbacks, public and private open-space requirements, minimum percentage or square footage of any nonresidential component, and parking requirements, unless not required for the base project. Parking requirements shall include considerations regarding number of spaces, location, design, type, and circulation. A developer may provide a base density study and the local agency shall accept it, provided that it includes all applicable objective development standards.

(B) Maintaining the same average unit size and other project details relevant to the base density study, excepting those that may be modified by waiver or concession to accommodate the bonus units, in the proposed project as in the study.

(7) (A) (i) “Shared housing building” means a residential or mixed-use structure, with five or more shared housing units and one or more common kitchens and dining areas designed for permanent residence of more than 30 days by its tenants. The kitchens and dining areas within the shared housing building shall be able to adequately accommodate all residents. If a local ordinance further restricts the attributes of a

shared housing building beyond the requirements established in this section, the local definition shall apply to the extent that it does not conflict with the requirements of this section.

(ii) A “shared housing building” may include other dwelling units that are not shared housing units, provided that those dwelling units do not occupy more than 25 percent of the floor area of the shared housing building. A shared housing building may include 100 percent shared housing units.

(B) (i) “Shared housing unit” means one or more habitable rooms, not within another dwelling unit, that includes a bathroom, sink, refrigerator, and microwave, is used for permanent residence, that meets the “minimum room area” specified in Section R304 of the California Residential Code (Part 2.5 of Title 24 of the California Code of Regulations), and complies with the definition of “guestroom” in Section R202 of the California Residential Code. If a local ordinance further restricts the attributes of a shared housing building beyond the requirements established in this section, the local definition shall apply to the extent that it does not conflict with the requirements of this section.

(ii) “Shared housing unit” for purposes of a residential care facility for the elderly, as defined in Section 1569.2 of the Health and Safety Code, includes a unit without an individual kitchen where a unit may be shared by unrelated persons, and a unit where a room that may be shared by unrelated persons meets the “minimum room area” requirements of clause (i).

(8) “Student housing development” means a development that contains bedrooms containing two or more bedspaces that have a shared or private bathroom, access to a shared or private living room and laundry facilities, and access to a shared or private kitchen.

(9) (A) “Total units” or “total dwelling units” means a calculation of the number of units that:

(i) Excludes a unit added by a density bonus awarded pursuant to this section or any local law granting a greater density bonus.

(ii) Includes a unit designated to satisfy an inclusionary zoning requirement of a city, county, or city and county.

(B) For purposes of calculating a density bonus granted pursuant to this section for a shared housing building, “unit” means one shared housing unit and its pro rata share of associated common area facilities.

(10) “Very low vehicle travel area” means an urbanized area, as designated by the United States Census Bureau, where the existing residential development generates vehicle miles traveled per capita that is below 85 percent of either regional vehicle miles traveled per capita or city vehicle miles traveled per capita. For purposes of this paragraph, “area” may include a travel analysis zone, hexagon, or grid. For the purposes of determining “regional vehicle miles traveled per capita” pursuant to this paragraph, a “region” is the entirety of incorporated and unincorporated areas governed by a multicounty or single-county metropolitan planning organization, or the entirety of the incorporated and unincorporated areas of an individual county that is not part of a metropolitan planning organization.

(p) (1) Except as provided in paragraphs (2), (3), and (4), upon the request of the developer, a city, county, or city and county shall not require a vehicular parking ratio, inclusive of parking for persons with a disability and guests, of a development meeting the criteria of subdivisions (b) and (c), that exceeds the following ratios:

(A) Zero to one bedroom: one onsite parking space.

(B) Two to three bedrooms: one and one-half onsite parking spaces.

(C) Four and more bedrooms: two and one-half parking spaces.

(D) One bedspace in a student housing development: zero parking spaces.

(2) (A) Notwithstanding paragraph (1), if a development includes at least 20 percent low-income units for housing developments meeting the criteria of subparagraph (A) of paragraph (1) of subdivision (b) or at least 11 percent very low income units for housing developments meeting the criteria of subparagraph (B) of paragraph (1) of subdivision (b), is located within one-half mile of a major transit stop, and there is unobstructed access to the major transit stop from the development, then, upon the request of the developer, a city, county, or city and county shall not impose a vehicular parking ratio, inclusive of parking for persons with a disability and guests, that exceeds 0.5 spaces per unit. Notwithstanding paragraph (1), if a development includes at least 40 percent moderate-income units for housing developments meeting the criteria of subparagraph (D) of paragraph (1) of subdivision (b), is located within one-half mile of a major transit stop, as defined in subdivision (b) of Section 21155 of the Public Resources Code, and the residents of the development have unobstructed access to the major transit stop from the development then, upon the request of the developer, a city, county, or city and county shall not impose a vehicular parking ratio, inclusive of parking for persons with a disability and guests, that exceeds 0.5 spaces per bedroom.

(B) For purposes of this subdivision, “unobstructed access to the major transit stop” means a resident is able to access the major transit stop without encountering natural or constructed impediments. For purposes of this subparagraph, “natural or constructed impediments” includes, but is not limited to, freeways, rivers, mountains, and bodies of water, but does not include residential structures, shopping centers, parking lots, or rails used for transit.

(3) Notwithstanding paragraph (1), if a development meets the criteria of subparagraph (G) of paragraph (1) of subdivision (b), then, upon the request of the developer, a city, county, or city and county shall not impose vehicular parking standards if the development meets any of the following criteria:

(A) The development is located within one-half mile of a major transit stop and there is unobstructed access to the major transit stop from the development.

(B) The development is a for-rent housing development for individuals who are 55 years of age or older that complies with Sections 51.2 and 51.3 of the Civil Code and the development has either paratransit service or unobstructed access, within one-half mile, to fixed bus route service that operates at least eight times per day.

(C) The development is either a special needs housing development, as defined in Section 51312 of the Health and Safety Code, or a supportive housing development, as defined in Section 50675.14 of the Health and Safety Code. A development that

is a special needs housing development shall have either paratransit service or unobstructed access, within one-half mile, to fixed bus route service that operates at least eight times per day.

(4) If the total number of parking spaces required for a development is other than a whole number, the number shall be rounded up to the next whole number. For purposes of this subdivision, a development may provide onsite parking through tandem parking or uncovered parking, but not through onstreet parking.

(5) This subdivision shall apply to a development that meets the requirements of subdivisions (b) and (c), but only at the request of the applicant. An applicant may request parking incentives or concessions beyond those provided in this subdivision pursuant to subdivision (d).

(6) This subdivision does not preclude a city, county, or city and county from reducing or eliminating a parking requirement for development projects of any type in any location.

(7) Notwithstanding paragraphs (2) and (3), if a city, county, city and county, or an independent consultant has conducted an areawide or jurisdictionwide parking study in the last seven years, then the city, county, or city and county may impose a higher vehicular parking ratio not to exceed the ratio described in paragraph (1), based upon substantial evidence found in the parking study, that includes, but is not limited to, an analysis of parking availability, differing levels of transit access, walkability access to transit services, the potential for shared parking, the effect of parking requirements on the cost of market-rate and subsidized developments, and the lower rates of car ownership for low-income and very low income individuals, including seniors and special needs individuals. The city, county, or city and county shall pay the costs of any new study. The city, county, or city and county shall make findings, based on a parking study completed in conformity with this paragraph, supporting the need for the higher parking ratio.

(8) A request pursuant to this subdivision shall neither reduce nor increase the number of incentives or concessions to which the applicant is entitled pursuant to subdivision (d).

(q) Each component of any density calculation, including base density and bonus density, resulting in fractional units shall be separately rounded up to the next whole number. The Legislature finds and declares that this provision is declaratory of existing law.

(r) This chapter shall be interpreted liberally in favor of producing the maximum number of total housing units.

(s) Notwithstanding any other law, if a city, including a charter city, county, or city and county has adopted an ordinance or a housing program, or both an ordinance and a housing program, that incentivizes the development of affordable housing that allows for density bonuses that exceed the density bonuses required by the version of this section effective through December 31, 2020, that city, county, or city and county is not required to amend or otherwise update its ordinance or corresponding affordable housing incentive program to comply with the amendments made to this section by the act adding this subdivision, and is exempt from complying with the

incentive and concession calculation amendments made to this section by the act adding this subdivision as set forth in subdivision (d), particularly subparagraphs (B) and (C) of paragraph (2) of that subdivision, and the amendments made to the density tables under subdivision (f).

(t) When an applicant proposes to construct a housing development that conforms to the requirements of subparagraph (A) or (B) of paragraph (1) of subdivision (b) that is a shared housing building, the city, county, or city and county shall not require any minimum unit size requirements or minimum bedroom requirements that are in conflict with paragraph (7) of subdivision (o).

(u) (1) The Legislature finds and declares that the intent behind the Density Bonus Law is to allow public entities to reduce or even eliminate subsidies for a particular project by allowing a developer to include more total units in a project than would otherwise be allowed by the local zoning ordinance in exchange for affordable units. It further reaffirms that the intent is to cover at least some of the financing gap of affordable housing with regulatory incentives, rather than additional public subsidy.

(2) It is therefore the intent of the Legislature to make modifications to the Density Bonus Law by the act adding this subdivision to further incentivize the construction of very low, low-, and moderate-income housing units. It is further the intent of the Legislature in making these modifications to the Density Bonus Law to ensure that any additional benefits conferred upon a developer are balanced with the receipt of a public benefit in the form of adequate levels of affordable housing. The Legislature further intends that these modifications will ensure that the Density Bonus Law creates incentives for the construction of more housing across all areas of the state.

(v) (1) Provided that the resulting housing development would not restrict more than 50 percent of the total units to moderate-income, lower income, or very low income households, a city, county, or city and county shall grant an additional density bonus calculated pursuant to paragraph (2) when an applicant proposes to construct a housing development that conforms to the requirements of paragraph (1) of subdivision (b), agrees to include additional rental or for-sale units affordable to very low income households or moderate income households, and meets any of the following requirements:

(A) The housing development conforms to the requirements of subparagraph (A) of paragraph (1) of subdivision (b) and provides 24 percent of the total units to lower income households.

(B) The housing development conforms to the requirements of subparagraph (B) of paragraph (1) of subdivision (b) and provides 15 percent of the total units to very low income households.

(C) The housing development conforms to the requirements of subparagraph (D) of paragraph (1) of subdivision (b) and provides 44 percent of the total units to moderate-income households.

(2) A city, county, or city and county shall grant an additional density bonus for a housing development that meets the requirements of paragraph (1), calculated as follows:

Percentage Very Low Income Units	Percentage Density Bonus
5	20
6	23.75
7	27.5
8	31.25
9	35
10	38.75

Percentage Moderate-Income Units	Percentage Density Bonus
5	20
6	22.5
7	25
8	27.5
9	30
10	32.5
11	35
12	38.75
13	42.5
14	46.25
15	50

(3) The increase required by paragraphs (1) and (2) shall be in addition to any increase in density granted by subdivision (b).

(4) The additional density bonus required under this subdivision shall be calculated using the number of units excluding any density bonus awarded by this section.

(Amended by Stats. 2024, Ch. 432, Sec. 1.5. (AB 3116) Effective January 1, 2025.)

ATTACHMENT 4
RESOLUTION NO. 7621
IN-LIEU FEE RESOLUTION

RESOLUTION NO. 7621

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARCADIA, CALIFORNIA, ESTABLISHING AN INCLUSIONARY HOUSING IN-LIEU DEVELOPMENT FEE AS AN ALTERNATIVE TO PROVIDING AFFORDABLE HOUSING UNITS REQUIRED BY THE INCLUSIONARY HOUSING ORDINANCE; AND FINDING THAT THIS RESOLUTION IS EXEMPT FROM THE REQUIREMENTS OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT ("CEQA")

WHEREAS, the Development Services Department has initiated Text Amendment No. TA 25-01 to add a new Inclusionary Housing Ordinance as Section 9103.16 to Article IX, Chapter 1 of the Arcadia Municipal Code (referred to as "Text Amendment"); and

WHEREAS, California State Housing Element Law establishes the requirements for Housing Elements and California Government Code Section 65588 requires that local government review and revise the Housing Element of their comprehensive General Plans not less than once every eight years. Additionally, the California State Legislature identifies overall housing goals for the State with the goal of ensuring every resident has access to housing and suitable living environments; and

WHEREAS, the updated Housing Element was adopted by City Council on February 15, 2022, and again, at the request of the State Department of Housing and Community Development, on November 1, 2022, and

WHEREAS, the City is required to implement actions and policies within the approved and certified Housing Element, including the provision of affordable housing, and compliance with the Regional Housing Needs Allocation ("RHNA") for the City of Arcadia; and

WHEREAS, the proposed Inclusionary Housing Ordinance (City Council Ordinance No. 2402) meets the requirements of California State housing law by providing

alternatives to the provision of affordable units within housing projects, including the establishment of an Inclusionary Housing In-Lieu Development Fee as shown in Exhibit “A” of this Resolution; and

WHEREAS, based on an Inclusionary Housing In-Lieu Fee Analysis conducted by Keyser Marston Associates, Inc., the fees set forth in this Resolution are necessary for the purposes set forth in this Resolution. Said fees are based on an in-depth analysis of development costs within the City of Arcadia, and the proposed fees are deemed to be fair and reasonable as an alternative to providing affordable housing units; and

WHEREAS, on April 1, 2025, the City Council held a duly noticed public hearing concerning the Text Amendment, at which time all interested persons were given full opportunity to be heard and to present evidence.

NOW, THEREFORE, the City Council of the City of Arcadia does hereby resolve as follows:

SECTION 1. The establishment and/or adjustment of fees is statutorily exempt from the California Environmental Quality Act (“CEQA”), pursuant to Section 15273 of the CEQA Guidelines (Sections 21080(b)(8) and 21082, Public Resources Code).

SECTION 2. The City Council hereby adopts the Inclusionary Housing In-Lieu Development Fee, based on the square footage of leasable and/or saleable area in the Development, attached hereto as Exhibit “A”.

SECTION 3. The City Council directs that the Inclusionary Housing In-Lieu Development Fee be evaluated annually to ensure the fee is appropriate and consistent with the cost of development, and that recommended modifications to the fee be proposed to the City Council as necessary.

SECTION 4. The Inclusionary Housing In-Lieu Development Fee will be imposed and collected as of the effective date of the Inclusionary Housing Ordinance (Ordinance No. 2402), July 1, 2025

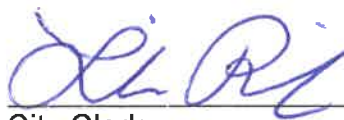
SECTION 5. The City Clerk shall certify the adoption of this Resolution.

Passed, approved and adopted this 1st of April, 2025.



Mayor of the City of Arcadia

ATTEST:



City Clerk

APPROVED AS TO FORM:



Michael J. Maurer
City Attorney

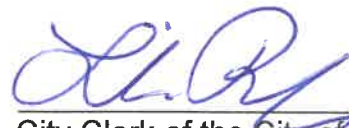
STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS:
CITY OF ARCADIA)

I, LINDA RODRIGUEZ, City Clerk of the City of Arcadia, hereby certifies that the foregoing Resolution No. 7621 was passed and adopted by the City Council of the City of Arcadia, signed by the Mayor and attested to by the City Clerk at a regular meeting of said Council held on the 1st day of April, 2025 and that said Resolution was adopted by the following vote, to wit:

AYES: Cheng, Fu, Wang, and Cao

NOES: None

ABSTAIN: Kwan



City Clerk of the City of Arcadia

BASE IN-LIEU PAYMENT AMOUNTS

Recommended Base In-Lieu Fee Payment Amounts Residential Developments with 30 or More Units Affordability Gap Analyses		
Apartment Development		
Per Inclusionary Unit		\$403,000
Per Square Foot of Total Leasable Area in the Development		\$43.80
Ownership Housing Development		
Per Inclusionary Unit		\$701,300
Per Square Foot of Total Saleable Area in the Development		\$23.30

DISCOUNTED IN-LIEU FEE SCHEDULES

Recommended Discounted In-Lieu Fee Schedules Measured Per Square Foot of Leasable or Saleable Area in the Residential Development		
Number of Units	Apartment Development	Ownership Housing Development
10	\$2.09	\$1.11
11	\$4.17	\$2.22
12	\$6.26	\$3.33
13	\$8.34	\$4.44
14	\$10.43	\$5.55
15	\$12.51	\$6.66
16	\$14.60	\$7.77
17	\$16.69	\$8.88
18	\$18.77	\$9.99
19	\$20.86	\$11.10
20	\$22.94	\$12.20
21	\$25.03	\$13.31
22	\$27.11	\$14.42
23	\$29.20	\$15.53
24	\$31.29	\$16.64
25	\$33.37	\$17.75
26	\$35.46	\$18.86
27	\$37.54	\$19.97
28	\$39.63	\$21.08
29	\$41.71	\$22.19
30	\$43.80	\$23.30

FRACTIONAL IN-LIEU FEE SCHEDULES

Recommended Fractional In-Lieu Fee Payment Calculations Measured Per Square Foot of the Leasable Area of One Unit in an Apartment Development		
Fraction	Fractional In-Lieu Fee: Per Square Foot of One Unit	Total Fractional In-Lieu Fee: Apartment Development
0.10	\$50.00	\$40,310
0.20	\$100.00	\$80,620
0.30	\$150.00	\$120,930
0.40	\$200.00	\$161,230
0.50	\$250.00	\$201,540
0.60	\$299.90	\$241,770
0.70	\$349.90	\$282,080
0.80	\$399.90	\$322,390
0.90	\$449.90	\$362,700
1.00	\$499.90	\$403,000

Recommended Fractional In-Lieu Fee Payment Calculations Measured Per Square Foot of the Saleable Area of One Unit in an Ownership Housing Development		
Fraction	Fractional In-Lieu Fee: Per Square Foot of One Unit	Total Fractional In-Lieu Fee: Ownership Housing Development
0.10	\$47.80	\$70,100
0.20	\$95.70	\$140,300
0.30	\$143.50	\$210,400
0.40	\$191.40	\$280,600
0.50	\$239.20	\$350,600
0.60	\$287.00	\$420,700
0.70	\$334.90	\$490,900
0.80	\$382.70	\$561,000
0.90	\$430.60	\$631,200
1.00	\$478.40	\$701,300

ATTACHMENT 5
INCLUSIONARY HOUSING DEVELOPMENT:
PLANNING DOCUMENTS

ATTACHMENT 5: EXHIBIT A
AFFORDABLE HOUSING PLAN



INCLUSIONARY HOUSING AFFORDABLE HOUSING PLAN APPLICATION FORM

The following information is required. The applicant may provide any additional information, as necessary, as an attachment to this application. The City may require additional information following review of the application.

PROJECT ADDRESS					
APN					
ZONE CLASSIFICATION					
APPLICANT(S) NAME					
MAILING ADDRESS					
CITY		STATE		ZIP	
E-MAIL ADDRESS					
TELEPHONE NO.					
PROPERTY OWNER(S) NAME					
MAILING ADDRESS					
CITY		STATE		ZIP	
E-MAIL ADDRESS					
TELEPHONE NO.					

1. TOTAL SQUARE FOOTAGE OF LEASABLE OR SALEABLE AREA IN THE PROJECT:

--

2. AFFORDABLE UNIT INFORMATION:

Please provide the following information for all affordable units in the residential development:

Tenure (Ownership or Rental):	
Total Number of Units (Existing + New):	
Affordability Category of Restricted Units:	
Total Number of Inclusionary Units:	
Fractional Amount:	
Total In-Lieu Fee for Fractional Units*(If applicable):	

*Note: Any fractional unit resulting from the calculation of the inclusionary requirement will be rounded up to the next whole number or the developer may elect to pay the appropriate in-lieu fee for the fractional unit.

3. MARKET RATE AND AFFORDABLE UNIT DETAIL:

Please attach a separate sheet providing the following information for ALL units within the residential development (Market Rate and Affordable Units): Square feet of unit, No. of bedrooms, No. of bathrooms, location of unit in the development, and affordability level.

4. ALTERNATIVES REQUESTED (IF APPLICABLE):

If alternatives are requested, please check the box and complete any required form fields.

- ☐ **Off-site Construction:** An applicant may satisfy the requirement for affordable units by providing the required units in another location within the City. All other requirements of the Ordinance remain the same.

If you opt to provide the affordable unit(s) off-site, please provide the following information:

APN:

Address:

- ☐ **In-Lieu Fee.** Applicants may pay a fee in-lieu of providing the units for the following projects:

- a) ALL Ownership Projects, with ten (10) or more units
- b) Rental Projects between ten (10) and thirty (30) units. **Rental Projects of more than 30 units may not provide the fee and must provide the units.**

If you opt to pay a fee in-lieu of providing the affordable units on-site, please provide the following information:

Total In-Lieu Fee, including any fractional fee (Refer to the In-Lieu Fee Schedule):

Calculation:

5. AMENITIES AND SERVICES PROVIDED:

Please specify the amenities and services provided in the residential development. This may include, but not limited to, common spaces, parking, laundry rooms, fitness centers, and other facilities.

6. CONSTRUCTION SCHEDULE FOR ALL UNITS:

THE APPLICANT AND PROPERTY OWNER HEREBY DECLARE UNDER PENALTY OF PERJURY THAT ALL THE INFORMATION SUBMITTED FOR THIS APPLICATION IS TRUE AND CORRECT.

APPLICANT'S SIGNATURE	DATE
PROPERTY OWNER'S SIGNATURE	DATE

.....

FOR OFFICE USE ONLY

Date Received:_____ City Staff Initials: _____

ATTACHMENT 5: EXHIBIT B
OFF-SITE CONSTRUCTION REQUIREMENTS

**OFF-SITE CONSTRUCTION REQUIREMENTS
OWNERSHIP RESIDENTIAL PROJECT
INCLUSIONARY HOUSING PROGRAM
DEVELOPMENT CODE SECTION 9103.16.050(A)**

**City of Arcadia Planning Services Division
240 West Huntington Drive
Arcadia, California 91007
626.574.5423**

Development Site Characteristics and Contact Information	
Project Address:	_____
Assessor Parcel Number(s):	_____
Site Dimensions:	_____
Site Size (Square Feet):	_____
Property Owner's Name:	_____
Address:	_____
Telephone Number:	_____ Email: _____
Developer's Name:	_____
Telephone Number:	_____ Email: _____

City Determination of Completeness	
☐ Approve ☐ Deny	
Signature: _____	Date: _____

I. DEFINED TERMS

Capitalized terms included in the instructions for completing the Inclusionary Housing Plan have the meanings defined in the Inclusionary Housing Regulations.

II. SUMMARY OF AFFORDABLE HOUSING FULFILLMENT ALTERNATIVES

Development Code Section 9103.16 identifies the following options that the Developers of Ownership Residential Projects can use for fulfilling the affordable housing obligations imposed by the Inclusionary Housing Program:

1. The Developer may fulfill the affordable housing obligation on site within the Market Rate Ownership Residential Project that is subject to the Inclusionary Housing Program requirements.
2. The Developer may pay a fee in lieu of producing Affordable Units. Developers that choose this alternative cannot make use of the State Law Density Bonus.
3. The Developer may fulfill the affordable housing obligation in an off-site location.

III. OFF-SITE CONSTRUCTION REQUIREMENTS

For Developer's that choose to fulfill affordable housing obligation by constructing Affordable Units at a site different than the site the Market Rate Ownership Residential Project is proposed to be developed. The applicable development standards are:

1. The number of Affordable Units to be developed off-site must equal at least 5% of the total number of units being constructed in the Market Rate Ownership Residential Project. Any fractional number resulting from the calculation must be rounded up to the next whole number.
2. The off-site Affordable Units must contain the same number of bedrooms, square footage, overall unit mix, appearance, finished quality, and materials as found in the Market Rate Ownership Residential Project.
3. The off-site Affordable Units must be developed concurrently, or prior to, the construction of the Market Rate Ownership Project. Receipt of a certificate of completion for the Market Rate Ownership Residential Project will be contingent on final approval and inspection of the Affordable Units.

4. Off-site Affordable Units must be located within the Arcadia city limits.
5. Off-site Affordable Units are subject to the same requirements, standards and procedures as are imposed on Affordable Units constructed within an Ownership Residential Project that is subject to the Inclusionary Housing Program requirements.

IV. PROPERTY OWNER'S AFFIDAVIT

I hereby certify that I am the legally authorized owner of all property involved in this application or have been empowered to sign as the property owner on behalf of a corporation, partnership, business, etc., as evidenced by separate instrument attached herewith. I hereby grant to the Developer submitting this form full power to sign all documents related to this application, including any conditions or litigation measures as may be deemed necessary.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on (Date) _____ at _____, California

Property Owner's Signature _____

Printed Name _____

V. DEVELOPER'S AFFIDAVIT

I hereby acknowledge that the applicable off-site construction of Affordable Units shall comply with the timing schedule imposed by the Inclusionary Housing Program.

I hereby certify the following:

1. The statements furnished above represent the data and information required for this initial evaluation and that the facts, statements and information presented are true and correct to the best of my knowledge and belief;
2. Should the stated information be found false or insufficient, I agree to the return of this form for appropriate revisions, understanding the City cannot process this form until all applicable information is corrected or provided by the Developer; and
3. I have been legally authorized by the property owner to present this application and to sign on behalf of all documents related to this application, including any conditions or litigation measures as may be deemed necessary.

Note: When the Developer is a corporation, partnership, business, etc., a separate document verifying the authorization to sign for such Developer is required.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on (Date) _____ at _____, California

Developer's Signature _____

Developer's Printed Name _____

**OFF-SITE CONSTRUCTION REQUIREMENTS
OWNERSHIP RESIDENTIAL PROJECT
INCLUSIONARY HOUSING PROGRAM
DEVELOPMENT CODE SECTION 9103.16.050(A)**

**City of Arcadia Planning Services Division
240 West Huntington Drive
Arcadia, California 91007
626.574.5423**

Development Site Characteristics and Contact Information	
Project Address:	_____
Assessor Parcel Number(s):	_____
Site Dimensions:	_____
Site Size (Square Feet):	_____
Property Owner's Name:	_____
Address:	_____
Telephone Number:	_____ Email: _____
Developer's Name:	_____
Telephone Number:	_____ Email: _____

City Determination of Completeness	
☐ Approve ☐ Deny	
Signature: _____	Date: _____

I. DEFINED TERMS

Capitalized terms included in the instructions for completing the Inclusionary Housing Plan have the meanings defined in the Inclusionary Housing Regulations.

II. SUMMARY OF AFFORDABLE HOUSING FULFILLMENT ALTERNATIVES

Development Code Section 9103.16 identifies the following options that the Developers of Ownership Residential Projects can use for fulfilling the affordable housing obligations imposed by the Inclusionary Housing Program:

1. The Developer may fulfill the affordable housing obligation on site within the Market Rate Ownership Residential Project that is subject to the Inclusionary Housing Program requirements.
2. The Developer may pay a fee in lieu of producing Affordable Units. Developers that choose this alternative cannot make use of the State Law Density Bonus.
3. The Developer may fulfill the affordable housing obligation in an off-site location.

III. OFF-SITE CONSTRUCTION REQUIREMENTS

For Developer's that choose to fulfill affordable housing obligation by constructing Affordable Units at a site different than the site the Market Rate Ownership Residential Project is proposed to be developed. The applicable development standards are:

1. The number of Affordable Units to be developed off-site must equal at least 5% of the total number of units being constructed in the Market Rate Ownership Residential Project. Any fractional number resulting from the calculation must be rounded up to the next whole number.
2. The off-site Affordable Units must contain the same number of bedrooms, square footage, overall unit mix, appearance, finished quality, and materials as found in the Market Rate Ownership Residential Project.
3. The off-site Affordable Units must be developed concurrently, or prior to, the construction of the Market Rate Ownership Project. Receipt of a certificate of completion for the Market Rate Ownership Residential Project will be contingent on final approval and inspection of the Affordable Units.

4. Off-site Affordable Units must be located within the Arcadia city limits.
5. Off-site Affordable Units are subject to the same requirements, standards and procedures as are imposed on Affordable Units constructed within an Ownership Residential Project that is subject to the Inclusionary Housing Program requirements.

IV. PROPERTY OWNER'S AFFIDAVIT

I hereby certify that I am the legally authorized owner of all property involved in this application or have been empowered to sign as the property owner on behalf of a corporation, partnership, business, etc., as evidenced by separate instrument attached herewith. I hereby grant to the Developer submitting this form full power to sign all documents related to this application, including any conditions or litigation measures as may be deemed necessary.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on (Date) _____ at _____, California

Property Owner's Signature _____

Printed Name _____

V. DEVELOPER'S AFFIDAVIT

I hereby acknowledge that the applicable off-site construction of Affordable Units shall comply with the timing schedule imposed by the Inclusionary Housing Program.

I hereby certify the following:

1. The statements furnished above represent the data and information required for this initial evaluation and that the facts, statements and information presented are true and correct to the best of my knowledge and belief;
2. Should the stated information be found false or insufficient, I agree to the return of this form for appropriate revisions, understanding the City cannot process this form until all applicable information is corrected or provided by the Developer; and
3. I have been legally authorized by the property owner to present this application and to sign on behalf of all documents related to this application, including any conditions or litigation measures as may be deemed necessary.

Note: When the Developer is a corporation, partnership, business, etc., a separate document verifying the authorization to sign for such Developer is required.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on (Date) _____ at _____, California

Developer's Signature _____

Developer's Printed Name _____

ATTACHMENT 5: EXHIBIT C
SAMPLE IN-LIEU FEE CALCULATIONS

**IN-LIEU FEE CALCULATIONS
OWNERSHIP RESIDENTIAL PROJECTS
INCLUSIONARY HOUSING PROGRAM
RESOLUTION NO. 7621**

**City of Arcadia Planning Services Division
240 West Huntington Drive
Arcadia, California 91007
626.574.5423**

Development Site Characteristics and Contact Information	
Project Address:	_____
Assessor Parcel Number(s):	_____
Site Dimensions:	_____
Site Size (Square Feet):	_____
Property Owner's Name:	_____
Address:	_____
Telephone Number:	_____ Email: _____
Developer's Name:	_____
Telephone Number:	_____ Email: _____

City Determination of Completeness	
☐ Approve ☐ Deny	
Signature: _____	Date: _____

I. DEFINED TERMS

Capitalized terms included in the instructions for completing the In-Lieu Fee calculations have the meanings defined in the Inclusionary Housing Regulations.

II. SUMMARY OF AFFORDABLE HOUSING FULFILLMENT ALTERNATIVES

Development Code Section 9103.16 identifies the following options that the Developers of Ownership Residential Projects can use for fulfilling the affordable housing obligations imposed by the Inclusionary Housing Program:

1. The Developer may fulfill the affordable housing obligation on site within the Market Rate Ownership Residential Project that is subject to the Inclusionary Housing Program requirements.
2. The Developer may pay a fee in lieu of producing Affordable Units. Developers that choose this alternative cannot make use of the State Law Density Bonus.
3. The Developer may fulfill the affordable housing obligation in an off-site location.

III. IN-LIEU FEE PAYMENT CALCULATIONS

In-Lieu Fee Payment to Fulfill the Entire Affordable Housing Obligation

For Developers that choose to fulfill the affordable housing obligation by paying an In-Lieu Fee, the obligation is calculated on the basis of a sliding scale for Ownership Projects that include 10 or more units. The In-Lieu fee is assessed against the entire saleable area of the proposed Ownership Residential Project.

The City Council initially adopted an In-Lieu Fee payment schedule by Resolution on April 1, 2025. The In-Lieu Fee payment schedule will be administratively updated annually by the Development Services Department commencing on July 1, 2027. The currently applicable In-Lieu Fee schedule, which will remain in place through June 30, 2027, is presented in the table on the following page:

Discounted In-Lieu Fee Schedules Measured Per Square Foot of Saleable Area in the Residential Development Applicable July 1, 2025 through June 30, 2027			
Number of Units	Ownership Housing Development	Number of Units (Cont.)	Ownership Housing Development (Cont.)
10	\$1.11	21	\$13.31
11	\$2.22	22	\$14.42
12	\$3.33	23	\$15.53
13	\$4.44	24	\$16.64
14	\$5.55	25	\$17.75
15	\$6.66	26	\$18.86
16	\$7.77	27	\$19.97
17	\$8.88	28	\$21.08
18	\$9.99	29	\$22.19
19	\$11.10	30	\$23.30
20	\$12.20		

A calculation example is provided in the following table:

In-Lieu Fee Calculation Example Ownership Residential Project Total Inclusionary Housing Obligation	
<u>Inclusionary Housing Obligation</u>	
Total Units	40
Inclusionary Housing Percentage	x 5%
Total Inclusionary Housing Obligation	2.0
<u>Saleable Area</u>	
Total Units	40
Weighted Average Unit Size (Square Feet)	1,500
Total Saleable Area (Square Feet)	60,000
In-Lieu Fee Per Square Foot of Saleable Area	\$23.30
<u>In-Lieu Fee Calculation</u>	
Total Saleable Area (Square Feet)	60,000
In-Lieu Fee Per Square Foot of Saleable Area	x \$23.30
Total In-Lieu Fee	\$1,398,000
<u>In-Lieu Fee Per Inclusionary Unit</u>	
Total In-Lieu Fee	\$1,398,000
Number of Inclusionary Units	2.0
In-Lieu Fee Per Inclusionary Unit	\$699,000

Please calculate the applicable In-Lieu Fee payment obligation in the following table:

In-Lieu Fee Calculations In-Lieu Fee Paid to Fulfill the Ownership Residential Project's Entire Affordable Housing Obligation	
Total Saleable Area in the Ownership Residential Project	
In-Lieu Fee Per Square Foot of Total Saleable Area in the Ownership Residential Project	
Total In-Lieu Fee	

IV. TIMING

For Developers that choose to pay an In-Lieu Fee to fulfill the entire affordable housing obligation, the In-Lieu Fee must be paid in accordance with the following schedule:

1. One-half of the In-Lieu Fee must be paid prior to issuance of the first building permit for the Ownership Development Project.
2. The remaining In-Lieu Fee balance is due prior to the City's issuance of a certificate of occupancy.

For phased projects the Developer may pay a pro rata share of the In-Lieu Fee. In that case, the first In-Lieu Fee installment must be paid prior to the issuance of the first building permit for each phase of the Ownership Residential Project. The remaining In-Lieu Fee balance is due prior to the City's issuance of a certificate of occupancy for that phase of the Ownership Residential Project.

V. PROPERTY OWNER'S AFFIDAVIT

I hereby certify that I am the legally authorized owner of all property involved in this application or have been empowered to sign as the property owner on behalf of a corporation, partnership, business, etc., as evidenced by separate instrument attached herewith. I hereby grant to the Developer submitting this form full power to sign all documents related to this application, including any conditions or litigation measures as may be deemed necessary.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on (Date) _____ at _____, California

Property Owner's Signature _____

Printed Name _____

VI. DEVELOPER'S AFFIDAVIT

I hereby acknowledge that the applicable In-Lieu Fee payment shall be made in accordance with the timing schedule imposed by the Inclusionary Housing Program.

I hereby certify the following:

1. The statements furnished above represent the data and information required for this initial evaluation and that the facts, statements and information presented are true and correct to the best of my knowledge and belief;
2. Should the stated information be found false or insufficient, I agree to the return of this form for appropriate revisions, understanding the City cannot process this form until all applicable information is corrected or provided by the Developer; and
3. I have been legally authorized by the property owner to present this application and to sign on behalf of all documents related to this application, including any conditions or litigation measures as may be deemed necessary.

Note: When the Developer is a corporation, partnership, business, etc., a separate document verifying the authorization to sign for such Developer is required.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on (Date) _____ at _____, California

Developer's Signature _____

Developer's Printed Name _____

ATTACHMENT 6
HOMEBUYER EVALUATION PROCEDURES

ATTACHMENT 6: EXHIBIT A
HOMEBUYER SELECTION PROCEDURES

HOMEBUYER SELECTION PROCEDURES

Developers of Affordable Units are required to complete all the facets of the Homebuyer Selection Procedures detailed in this Attachment. Activities that must be undertaken by Developers include, but are not limited to, the following:

1. Adhering to the selection procedures set forth by the City;
2. Marketing the Affordable Units;
3. Identifying prospective Homebuyers for the Affordable Units;
4. Providing prospective Homebuyers with a prescreening application that will allow them to determine whether they meet the basic qualifications to purchase an Affordable Unit;
5. Accepting purchase applications from prospective Homebuyers, and referring these Homebuyers to Participating Lenders to commence the underwriting process;
6. Notifying prospective Homebuyers of the City's pre-approval or denial decisions; and
7. Entering into sales transactions with the Homebuyers that receive final approval from the City.

DEFINITIONS

As used in this Attachment, the terms set forth below shall have the following meanings:

"Adult" means a person 18 years of age or older.

"Affordability Gap" is equal to the difference between the Fair Market Value of the Affordable Unit and the Affordable Sales Price for the Affordable Unit at the time of acquisition by the Homebuyer.

"Affordable Sales Price" means the maximum price that can be charged for the Affordable Unit. The Affordable Sales Price is equal to the lesser of:

1. The sum of the Supportable Mortgage plus the Benchmark Down Payment; or
2. The purchase price prospective buyers are willing to pay in return for purchasing a home that is subject to restrictive covenants.

“Affordable Unit” means a Dwelling Unit that is designated to meet the requirements set forth in Development Code Sections 9103.16 and/or 9103.15. An Affordable Unit must be made available at an Affordable Sales price to eligible Moderate Income, Low Income, or Very Low Income Households, as applicable to the Affordable Unit.

“Benchmark Down Payment” means the down payment amount that is used solely for calculation of the Affordable Sales Price of an Affordable Unit. The Benchmark Down Payment shall be set at 5% of the Affordable Sales Price.

“City” means the City of Arcadia, California.

“City Deed of Trust” means a deed of trust that secures the City Shared Appreciation Loan Agreement, which secures the Homebuyer’s obligation to repay the City Shared Appreciation Loan pursuant to the terms of the City Promissory Note and the City Shared Appreciation Loan Agreement, and to comply with the Homebuyer’s obligations under the Inclusionary Housing Covenants Declaration.

“City Promissory Note” means the promissory note that evidences the City Shared Appreciation Loan executed by the Homebuyer.

“City Shared Appreciation Loan” means the City loan provided to the Homebuyer in an amount equal to the Affordability Gap for the Affordable Unit. The Homebuyer acknowledges that the key financial characteristics of the City Shared Appreciation Loan are as follows:

1. The City Shared Appreciation Loan has not actually been provided in cash to the Homebuyer, but rather, represents a credit to the sales price for the Affordable Unit.
2. The amount of the credit to the sales price for the Affordable Unit is equal to the City Principal.
3. The City Shared Appreciation Loan will not bear interest, and no payment will be due except upon an Event of Acceleration. Upon such Event of Acceleration, the Homebuyer shall repay to the City, the City Principal plus the portion of the Equity Sharing Payment Obligation, if any, that is due in accordance with the terms of the City Shared Appreciation Loan Agreement.
4. Upon repayment of the City Shared Appreciation Loan and the portion of the Equity Sharing Payment Obligation, if any, that is due when the Inclusionary Unit is resold, the City Shared Appreciation Loan shall be extinguished in accordance with the terms of the City Promissory Note.

“City Shared Appreciation Loan Agreement” means the agreement that evidences and implements the City Shared Appreciation Loan.

“Developer” means a person, persons, or entity that applies to the City for one or more discretionary or residential permits required for a proposed Ownership Residential Project. This also includes the owner or owners of the property if the Developer does not own the property on which the Ownership Residential Project is proposed.

“Development Code” means Article IX, Chapter 1 of the Arcadia Municipal Code.

“Development Services Director” means the City of Arcadia Development Services Director or designee.

“Eligible Purchaser” means a prospective purchaser who meets the eligibility criteria set forth in the Inclusionary Housing Regulations.

“Events of Acceleration” include the following:

1. The resale, transfer, assignment, disposition, alienation, encumbrance, hypothecation, or lease of all or any portion of any interest in the Affordable Unit, whether direct, indirect, voluntarily, involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure, or deed in lieu of foreclosure, except for an Exempt Transfer or any transfer which under federal law would not, by itself, permit the City to exercise a due on sale or due on encumbrance clause; or
2. Any refinancing of the lien securing the Senior Loan that is not expressly approved in writing by the City pursuant to Inclusionary Housing Regulations; or
3. If or when the Homeowner ceases to occupy the Affordable Unit as the Homeowner’s Primary Residence; or
4. The Homeowner is in default of any other obligation under the City Shared Appreciation Loan Agreement, the City Promissory Note, the City Deed of Trust, or the Inclusionary Housing Covenants Declaration, or any obligations under any documents relating to any other financing that is secured by the Affordable Unit, and fails to timely cure such default under the terms of the applicable agreement if there is a cure period; or
5. The Homeowner has made any material misrepresentation or misstatement of any information, or provided any false, misleading or incorrect information to the City.

“Exempt Transfer” means the following:

1. A transfer resulting from the death of the Homeowner.
2. A transfer by the Homeowner where the spouse or domestic partner becomes a co-owner of the Affordable Unit.
3. A transfer of title to a spouse or domestic partner as part of divorce or dissolution proceedings.
4. A transfer by the Homeowner into a trust in which the Homeowner is the beneficiary, provided that the Homeowner continues to maintain the Affordable Unit as their Primary Residence.
5. A transfer by the Homeowner of a non-possessory interest in the Affordable Unit, such as an easement or license for utilities or other like purposes; the granting of ingress or egress rights over or across the Affordable Unit or a portion thereof; or a modification to the non-exclusive common area rights of the Homeowner.
6. A condemnation, or conveyance in lieu of condemnation, that does not preclude the Homeowner’s continued use and occupancy of the Affordable Unit, such as a street widening or other incidental taking that does not preclude continued occupancy of the Affordable Unit, or a taking of an interest in a portion of the common area appurtenant to the Affordable Unit.

“Fair Market Value” means the Fair Market Value of an Affordable Unit at the time of purchase of that Dwelling Unit without regard to any restrictions on sales price, as substantiated by an appraisal in a form and substance and by an appraiser acceptable to the City.

“Hearing Officer” means a neutral person that is designated by the City Manager. The Hearing Officer’s responsibilities are to conduct hearings, to make findings, and to issue determinations regarding appeals to determinations made by the Development Services Director in response to appellants’ complaints concerning the affordable housing requirements.

“Homebuyer” means the purchaser of an Affordable Unit as vested on title to the Affordable Unit. The Homebuyer shall enter into a City Shared Appreciation Loan Agreement; the City Shared Appreciation Loan; a City Promissory Note and a City Deed of Trust.

“Homebuyer Education Course” means an eight-hour live group or individual online course that provides instruction on general home ownership issues.

“Homebuyer Purchase Price” means the means the original price paid by the Homebuyer to purchase the Affordable Unit, exclusive of any closing or transaction costs. The Homebuyer Purchase Price shall not exceed the Affordable Sales Price.

“Homeowner” means the owner of an Affordable Unit as vested on title to the Affordable Unit.

“Inclusionary Housing Covenants Declaration” means a Declaration of Inclusionary Housing Covenants, Conditions and Restrictions Agreement that defines the covenants imposed by the City on the Affordable Units.

“Inclusionary Housing Regulations” are the Inclusionary Housing Regulations adopted pursuant Development Code Sections 9103.16 and 9103.15 of the Arcadia Municipal Code for the implementation and enforcement of provisions of the Inclusionary Housing Program and the State Density Bonus Law.

“Lender Checklist” identifies the documents required by the Development Services Director and the timing of events during the escrow period for the sale of each Affordable Unit.

“Municipal Code” refers to the Arcadia, California Municipal Code.

“Ownership Residential Project” means the construction of a new residential project (including a mixed use project) that would create Dwelling Units to be offered for sale by construction or alteration of structures. The term Ownership Residential Project shall include the conversion of rental units to for-sale units.

“Participating Lender” is a Senior Lender that has executed an agreement affirming that they understand the requirements imposed by the City Shared Appreciation Loan Agreement, the City Promissory Note, the City Deed of Trust, and the Inclusionary Housing Covenants Declaration.

“Program Summary & Pre-Application Checklist” is a form created by the City that is to be used as a preliminary self-qualification tool by prospective Homebuyers. The Program Summary & Pre-Application Checklist shall be updated quarterly and provided to Developers with active Ownership Residential Projects.

“Seller Checklist” identifies the documents required by the Development Services Director and the timing of events during the escrow period for the sale of each Affordable Unit. The Lender Checklist is found in Attachment H to the Inclusionary Housing Regulations.

“Senior Lender” means a bank, savings and loan association, insurance company, pension fund, publicly traded real estate investment trust, governmental agency, charitable organization or other governmentally regulated entity regularly engaged in making residential real estate loans.

“Senior Loan” means a purchase money mortgage to be used by the Homebuyer for financing the acquisition of the Affordable Unit, or a refinancing approved by the City, which loan is in a lien position prior to the Inclusionary Housing Covenants Declaration.

MARKETING THE AFFORDABLE UNITS

The Developer is required to actively market the Affordable Units and is encouraged to prominently advertise the Affordable Units in local outlets.

IDENTIFYING PROSPECTIVE HOMEBUYERS

The Developer must accept primary responsibility for identifying Eligible Purchasers for the Affordable Units. The Developer may use prescreening and/or pre-qualification process and procedures including, but not limited to, pre-qualifying interested Homebuyers through the Developer’s preferred lender.

SELECTION PROCEDURES

Homebuyer Requirements

The Developer and prospective Homebuyers must complete the following activities:

1. The Developer must provide prospective Homebuyers with the Program Summary & Pre-Application Checklist.
2. A prospective Homebuyer that has completed the Program Summary & Pre-Application Checklist, and believes they meet the requirements to be an Eligible Purchaser can submit an application to the Developer to purchase an Affordable Unit.
3. The Developer must provide the prospective Homebuyer with a list of Participating Lenders to contact to commence the underwriting process. If a prospective Homebuyer wishes to use a Senior Lender that is not a Participating Lender, that Senior Lender must contact the Development Services Director and complete the activities required to be designated as a Participating Lender.

4. The prospective Homebuyer must make an appointment to attend a Homebuyer Education Course. The prospective Homebuyer must complete the Course prior to the close of escrow on the purchase of the Affordable Unit.

Pre-Approval Process

The Developer, the prospective Homebuyer, the Participating Lender and the Development Services Director must complete the following activities in order for the City to provide pre-approval for a prospective Homebuyer:

1. The Participating Lender must submit the Phase I documents identified in the Lender Checklist to the Development Services Director.
2. The Development Services Director will review the Participating Lender's submittals for completeness and will notify the Participating Lender of any missing information and/or documents. The Participating Lender will be given 10 business days to provide the missing information and/or documents. Failure to provide the requested information and/or documents will be cause for denying the prospective Homebuyer's request to purchase an Affordable Unit.
3. The Development Services Director will review the completed Phase I documents and provide a pre-approval or denial finding.
4. The Developer will be responsible for informing prospective Homebuyers of the results of the pre-approval process.

Homebuyer application evaluation process:

1. The Developer may continue to accept applications for the purchase of an Affordable Unit until a prospective Homebuyer receives pre-approval from the City.
2. The Developer is required to make good faith efforts to enter into a sales transaction with the first prospective Homebuyer to receive pre-approval.
3. The Developer may accept back-up offers from other prospective Homebuyers as long as they had submitted a purchase application prior to the date on which the first pre-approval was provided.

The Developer may only commence negotiations with a prospective Homebuyer that has submitted a back-up offer if:

1. The pre-approved Homebuyer is unable to obtain a mortgage that complies with the requirements imposed by the Inclusionary Housing Regulations; and / or
2. If the pre-approved Homebuyer will not agree to the requirements imposed by the various Inclusionary Housing agreements that the Homebuyer will be required to execute in order to purchase an Affordable Unit.

Final Approval Process

At the completion of the underwriting process, the Participating Lender must submit to the Development Services Director the Phase II documents identified in the Lender Checklist. Upon receipt of a complete set of Phase II documents, the Development Services Director will provide final approval of the proposed sale of the Affordable Unit.

COMPLAINTS AND APPEALS

Complaints

Complaints concerning the affordable housing requirements should be made in writing and addressed to the Development Services Director. Complaints will be accepted only if they are in writing and are received within 30 days from the event giving rise to the complaint. In an attempt to resolve the matter, the Development Services Director shall contact the complainant. If the complaint involves, pertains or relates to the Affordable Unit, or the prescreening qualification process and procedures of the Developer, the Development Services Director shall contact the Developer prior to responding to the complainant. A written response from the Development Services Director will be made to the complainant and Developer within 10 business days of contacting the last person(s) required to be notified and contacted concerning the complaint.

Appeals

If a complainant is not satisfied with the written response, the complainant may appeal the determination or decision to the Hearing Officer within 10 days following notice of the action. The notice of appeal shall be in writing and signed by the person making the appeal and shall contain the following information:

1. The name, street address, email address, and telephone number of the appellant;
2. A true and correct copy of the notice of decision or action by the Development Services Director that the appellant is appealing;

3. A specific statement of the reasons and grounds for making the appeal in sufficient detail to enable the Hearing Officer to understand the nature of the controversy, the basis of the appeal, and the relief being requested; and
4. All documents or other evidence pertinent to the appeal that the appellant requests that the Hearing Officer consider at the hearing.

In the event a written notice of appeal is timely filed, the decision is not effective until a final determination or decision has been rendered and issued by the Hearing Officer. The Hearing Officer shall set a hearing within 30 calendar days from that date unless the parties agree otherwise.

At the hearing, the person against whom the determination or decision was made may present evidence and argument regarding the determination or decision to show why the determination or decision is incorrect and to show what the determination or decision should be.

Within 60 days after the close of the hearing the Hearing Officer shall issue a final determination or decision, unless the time period is extended by the Hearing Officer for good cause.

Any decisions or responses made by the Development Services Director and/or the Hearing Officer to a complaint shall be supported by reasonable inferences of admissible facts and shall be consistent and compliant, as pertinent, with the provisions of Development Doce Sections 9103.16 and/or 9103.15, the Affordable Housing Agreement and the Inclusionary Housing Regulations.

ATTACHMENT 6: EXHIBIT B
LENDER CHECKLIST

LENDER CHECKLIST SUMMARY

Application Date:			
Prospective Homebuyer:			
Vesting:			
Property Address:			
Household Size:		Gross Household Income:	
Affordable Sales Price:		Back-End Ratio:	
Pre-Approval / Denial Date:			
Senior Loan Amount:		Down Payment Amount:	
Interest Rate:		Cost to Close:	
Final Approval / Denial Date:			
	Close of Escrow:		

PHASE I DOCUMENTS:

REQUIRED TO BE SUBMITTED BY THE PARTICIPATING LENDER TO THE DEVELOPMENT SERVICES DIRECTOR FOR PRE-APPROVAL OF A PROSPECTIVE HOMEBUYER

SUBMITTAL REQUIREMENTS IDENTIFIED IN THE HOMEBUYER SELECTION PROCEDURES

Household Composition Documents:

1. For all Adult Household members, a photocopy of a driver's license or other photo identification must be provided.
2. For minors, a copy of the birth certificate is the preferred form of identification. If a birth certificate is not available, the City may accept the following: adoption papers, custody agreement, court-ordered assignment, or verification for a social services agency.
3. Adult Household members who are dependents of the prospective Homebuyer, and who are full-time students will be required to provide copies of school transcripts or registration verification showing current full-time student status.
4. Divorced or legally separated Household members must provide a copy of the divorce decree or legal separation document signed by a court officer. Married, but separated, couples must demonstrate at least one full year of complete financial and residential separation at time of application to be considered separated for purposes of determining eligibility. If this cannot be demonstrated, the couple must submit the application as co-applicants.

Financial Data:

1. Credit reports shall be submitted for each Adult Household member. Credit reports will be used to confirm information pertaining to the prospective Homebuyer such as current and previous addresses, current and previous employers, marital status, loan history, income to debt ratio, etc.
2. Copies of the three most recent months of statements for all accounts, including checking, savings, or other investment accounts owned in part or full by all Adult Household members shall be submitted:
 - a. These account statements must demonstrate that the funds proposed to be used for the Actual Down Payment have been available for at least 90 days.

- b. These statements must identify the current period and year-to-date income earned on each account through interest and/or dividends.
3. Signed copies of each Adult Household member's most recent federal income tax return, including all schedules and attachments, must be submitted. Tax returns shall be used by the City to verify residency history, family composition, income history, and real estate ownership.
4. A copy of a pre-qualification letter and full loan application packet shall be submitted by the Participating Lender. The application packet shall include but shall not be limited to the signed fully completed mortgage application, loan underwriting analysis, income verification and credit verification.
5. Evidence shall be submitted that verifies that the prospective Homebuyer's Back-End Ratio does not exceed 50%.
6. Evidence shall be submitted that verifies that the proposed Actual Down Payment amount comports with the defined minimum and maximum percentages of the Sales Price.

Income Verification:

1. In the order of preference, the following employment income verification sources will be considered acceptable. The documentation must specify the amount and type of pay (i.e. wages, overtime wages, commissions, and bonuses), frequency of pay, and year to date earnings:
 - a. Check stubs or earning statements showing employee's gross pay per pay period and frequency of pay. The check stubs should include the year-end statement for the last full year of employment, and the most recent four pay periods; or
 - b. Letter from the employer on company letterhead and signed by an authorized company representative.
2. Net income from a business owned in part or full by any Adult Household member will be considered when determining income eligibility. Net income is defined as gross revenues received minus cash expenses that are essential for the operation of the business. Capital expenditures, principal reductions on loan obligations, and depreciation are excluded from the calculation of net income:
 - a. To estimate current net business income, the City will require the most recent two federal tax returns and two full years of business and personal checking, savings, and

other investment account statements for all business owners/partners. prospective Homebuyers with fewer than two full years of verifiable business income history will not be considered for eligibility to purchase an Affordable Unit.

- b. Prospective Homebuyers must itemize gross business revenues for the period covered by the most recent two federal tax returns and forecast gross business revenues for the year beyond the time of application. The prospective Homebuyers must also itemize the cash expenses that were applied to determine net business income for both periods.
3. The net equity in real property owned by any Adult Household member will be considered when determining income eligibility:
 - a. The City will require prospective Homebuyers to obtain an appraisal of the property's Fair Market Value.
 - b. Prospective Homebuyers must provide substantiating information that identifies the dollar amount of any outstanding loans secured by the property.
 - c. If the property is proposed to be sold prior to the close of escrow on the Affordable Unit, the funds being applied to the down payment and/or closing costs on the purchase of the Affordable Unit will be deducted from the net equity.
 - d. In accordance with California Code of Regulations Section 6914, a 10% return on equity will be added to the prospective Homebuyer's Gross Income.
4. Prospective Homebuyers must submit a copy of their most recent award or benefit notification letter for Social Security, Pensions, Supplementary Security Income (SSI), Welfare and/or Disability Income prepared and signed by the authorizing agency. At the City's sole discretion, checks or bank deposit slips that show only net amounts remaining after deductions for SSI or Medicare may be accepted when award letters cannot be obtained.
5. Verification of alimony or child support income will be considered acceptable in the order listed:
 - a. Copy of a separation of settlement agreement or a divorce decree stating amount and type of support and payment schedules.
 - b. A notarized letter from the person paying the support attesting to the amount and terms of support payments.

ADDITIONAL REQUIRED DOCUMENTS

1. Form 1003 – Loan application for the Senior Loan
2. Verification that the prospective Home Buyer has made an appointment to attend the Home Buyer Education Course.

PHASE II DOCUMENTS

REQUIRED TO BE SUBMITTED BY THE SENIOR LENDER TO THE DEVELOPMENT SERVICES DIRECTOR FOR THE FINAL APPROVAL OF THE PROPOSED RESALE OF THE AFFORDABLE UNIT

1. Residential Purchase Agreement
2. Affordable Housing Disclosure Statement
3. Conditional Approval of the Senior Loan by the Senior Lender
4. Loan estimate for the Senior Loan
5. Draft Closing Disclosure for the Senior Loan
6. Estimated Closing Statement from Escrow
7. Verification of Employment for all Adult Household members
8. Preliminary title report with wiring instructions
9. Escrow instructions with vesting information
10. Appraisal for the Affordable Unit
11. Certificate of completion for the Home Buyer Education Course

ATTACHMENT 7
NO INCOME CERTIFICATION

**NO INCOME CERTIFICATION FOR
HOUSEHOLD MEMBER**

I, _____ (NAME) certify that as of
_____ (DATE), I am not receiving any type of income including, but not
limited to, wages and salaries, overtime pay, commissions, fees, tips, bonuses, or any
other compensation for personal services, net income from the operation of a business
or profession, dividends or interest, net income from any kind of real or personal
property, Social Security, annuities, retirement funds, pensions, death or disability
benefits, unemployment or disability compensation, workers compensation, severance
pay, welfare or other public assistance, alimony, or child support.

By this Certification, I declare under penalty of perjury that all of the foregoing
information is true and correct. Misrepresentation or misstatement may be a violation
of law that could result in a fine, criminal penalty or a default on the Affordable Housing
Agreement made in conjunction with the sale of this Affordable Unit.

Signature

Print Name

Date

ATTACHMENT 8
DISCLOSURE DOCUMENTS

ATTACHMENT 8: EXHIBIT A
ADDENDUM TO THE RESIDENTIAL PURCHASE
AGREEMENT

ADDENDUM TO THE RESIDENTIAL PURCHASE AGREEMENT

The following language must be inserted exactly as written below into an Addendum to the Residential Purchase Agreement signed by both the seller and the Homebuyer and attached to the Residential Purchase Agreement.

The subject property is an Affordable Unit in the City of Arcadia's Inclusionary Housing Program. The City of Arcadia has established an Affordable Sales Price for this Affordable Unit, and the purchase price in the Residential Purchase Agreement does not exceed this amount. All consideration for the purchase of the Affordable Unit has been fully disclosed and described in the Residential Purchase Agreement, which will be submitted to the City of Arcadia for approval. Homebuyer and seller acknowledge that there may be no agreement separate from the Residential Purchase Agreement between Homebuyer and seller or any other parties related in any manner to the purchase of the Affordable Unit, which would include payment for personal property, upgrades to the Affordable Unit, gifts, or other arrangements that might circumvent the Affordable Sales Price established by the City of Arcadia.

ATTACHMENT 8: EXHIBIT B
CERTIFICATE OF PURCHASER

CITY OF ARCADIA
INCLUSIONARY HOUSING PROGRAM
CERTIFICATE OF PURCHASER

Applicant(s) / Co-Applicant(s) _____

Affordable Unit Address _____

Any Applicant(s) and Co-Applicant(s) are collectively referred to as the "Applicant". The Applicant hereby certifies the following:

- A. Applicant is buying the Affordable Unit shown above with the intent to occupy the home as the Applicant's Primary Residence, and with the understanding that the home cannot be rented or leased.
- B. The total purchase price of the Affordable Unit is \$_____.
- C. Applicant's combined annual Household Gross Income from all sources totals \$_____.
- D. The number of persons that will occupy the Affordable Unit is _____.
- E. Applicant has read the Special Disclosure form attached hereto and understands the information contained therein.
- F. Applicant acknowledges and understands that a Declaration of Inclusionary Housing Covenants, Conditions and Restrictions will be recorded on title to the Affordable Unit.

All persons taking title to the Affordable Unit must sign this Certificate of Purchaser.

Applicant / Co-Applicant

Applicant / Co-Applicant

Signature

Signature

Print Name

Print Name

Date

Date

ATTACHMENT 8: EXHIBIT C
SPECIAL DISCLOSURES

CITY OF ARCADIA
INCLUSIONARY HOUSING PROGRAM
SPECIAL DISCLOSURES

Applicant(s) / Co-Applicant(s) _____

Affordable Unit Address: _____

Any Applicant(s) and Co-Applicant(s) are collectively referred to as the "Applicant". The undersigned "Applicant" who is buying the Affordable Unit shown above, acknowledges and understands that a Declaration of Inclusionary Housing Covenants, Conditions and Restrictions will be recorded on the Affordable Unit, and that the restrictions contained therein relate to the transfer and use of the Affordable Unit.

The Applicant specifically acknowledges the following restrictions. All persons taking title to the Affordable Unit must initial each item below:

_____ The Applicant is responsible for selecting a mortgage lender. The City does not endorse any mortgage lender, and the Applicant is under no obligation to choose any particular mortgage lender.

_____ The Applicant must obtain a Senior Loan that complies with the mortgage requirements defined in the Inclusionary Housing Regulations.

_____ The Applicant must pay at least three percent (3%) of the Affordable Sales Price from the Applicant's own funds, except as otherwise permitted by the City.

_____ The City shall not be held responsible for any costs associated with the Affordable Unit that the Applicant purchases.

_____ The Affordable Unit must be the Primary Residence of each member of the Household.

_____ No part of the Affordable Unit may be rented or leased to any individual or household; this includes renting or leasing to family members of the Applicant.

_____ Additional debt secured by the Affordable Unit or refinancing existing debt on the Affordable Unit must be approved in advance by the City.
_____ The City may establish limits on the amount of debt that may be secured by the Affordable Unit.

_____ Ownership of the Affordable Unit may not be amended or transferred without prior approval by the City.

_____ The Applicant has executed a City Shared Appreciation Loan that shall be extinguished upon the resale of the Affordable Unit in accordance with the terms of the City Promissory Note.

_____ The Applicant may not discriminate against potential subsequent buyers based on their race, color, religion, sex, marital status, sexual orientation, national origin, or ancestry.

The undersigned has taken the requirements included in the Declaration of Inclusionary Housing Covenants, Conditions and Restrictions, as partially described in this Special Disclosure, into account prior to determining to purchase the Affordable Unit.

All persons taking title to the home must sign this Special Disclosure.

Applicant / Co-Applicant

Applicant / Co-Applicant

Signature

Signature

Print Name

Print Name

Date

Date

ATTACHMENT 9
RESIDENCY RECERTIFICATION FORMS

Date

By USPS First-Class Mail and by Certified Mail Return Receipt Requested

Name

Street Address

Arcadia, California Zip Code

Subject: Notice of Inspection of [Address] to Monitor Affordable Unit Located at
Address

Dear: Name of Homeowner:

As you know, your home located at [ADDRESS] is an "Affordable Unit". When you bought your home, you signed a series of agreements, disclosures, covenants and loan documents (together, Affordable Agreements) with the City of Arcadia (City) that allowed you to buy the home at a greatly reduced "Affordable Sales Price".

Under the Affordable Agreements, the City is authorized to monitor compliance with the requirements imposed by the Affordable Agreements. This letter represents the City's effort to conduct monitoring and compliance for your Affordable Unit to ensure you, as the "Homeowner", are complying with the following:

1. You continue to own and occupy your home as your only residence;
2. You have not and do not rent out any part of your home;
3. You have not refinanced your home without the City's prior written approval; and
4. You and your immediate family members (together, Household) comply and have continuously complied with the Affordable Agreements.

At this time and as an initial step in the process, the City will conduct occupancy monitoring through this letter and the enclosed *Certification of Continued Occupancy and Compliance with Affordable Agreements* (Certification). You are required to sign and return this Certification, along with the required proof of residency, by [one month from letter date]. Please read the Certification carefully, because by signing you certify, under penalty of perjury, that you are in full compliance with the Affordable Agreements.

Homeowner Name

Date

Address

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This letter, with the enclosed Certification, is mailed to you both by USPS first-class regular mail, and by certified mail with a return receipt requested. This mailing and the return receipt, whether or not you sign for it, will prove the City has notified you in accordance with the Affordable Agreements.

If you fail to sign and return the Certification within 30 days, or from our independent research about your Affordable Unit we reasonably believe there are violations of covenants, such as renting out your home or finding unauthorized liens recorded against the Affordable Unit from a search of Official Records, then the City will arrange to conduct a physical inspection of the Affordable Unit. If a physical inspection becomes necessary, the City will provide you reasonable prior notice of at least 48 hours in all non-emergency situations.

If the Certification, our research, or a physical inspection evidences non-compliance, then the City is authorized to issue additional notice(s), allow you time to cure, and if you do not cure non-compliance, then the City may institute legal action to enforce compliance with the program requirements, and to enjoin any actions by you that violate program requirements. The City's legal remedies against the Affordable Unit and you, include, but are not limited to, the following:

1. Civil citations with monetary penalties for violations of the Affordable Ownership Housing Regulations;
2. Recovering any rent that may have been received by the Homeowner;
3. Reversing sales not approved by the City; and
4. Instituting foreclosure proceedings.

Please return the Certification with your original, dated signatures, along with true copies of utility bills, to:

Development Services Director
City of Arcadia
240 West Huntington Drive
Arcadia, California 91006

Homeowner Name

Date

Address

Page 3

As explained in the attached Certification, as Homeowner, you affirm under penalty of perjury the following:

1. Homeowner has continuously occupied the Affordable Unit during the past year and presently occupies the Affordable Unit as the Homeowner's only personal residence. Any absence from the home for more than 60 days cumulatively during a calendar year is only permitted under a hardship condition that must be reported to the City.
2. Homeowner has not, at any time since buying the Affordable Unit, rented out a room or rooms in the Affordable Unit, nor entered into a rental or lease agreement for any part of the Affordable Unit.
3. Homeowner has not obtained a new loan or refinanced the original first mortgage without prior written consent from the City.
4. Homeowner has not made unpermitted improvements to the Affordable Unit that required building or other permits issued by the City. (In general, improvements to the Affordable Unit with proper permits are permissible.)

If the Homeowner fails to occupy the Affordable Unit as the Homeowner's primary personal residence at all times during the ownership of the Affordable Unit, or otherwise does not comply with the Affordable Agreements, then the full amount due under the City Shared Appreciation Loan Agreement will become due and payable to the City.

If you have any questions, please contact me at [email address](#) or at [telephone number](#).

Sincerely,

Name

Development Services Director

CERTIFICATION OF CONTINUED OCCUPANCY AND COMPLIANCE WITH AFFORDABLE AGREEMENTS

We/I, _____ *[insert full legal name(s)]*,
is/are the “Homeowner” of an “Affordable Unit” located at _____, Arcadia,
California (Affordable Unit). On or about _____, I/we acquired the Affordable Unit;
and, as a part of buying the Affordable Unit we/I signed a series of agreements, disclosures,
covenants and loan documents (together, Affordable Agreements) with the City that allowed
me/us to buy my/our Affordable Unit at an “Affordable Sales Price”.

I/We understand I/we must comply with all requirements of the Affordable Agreements. I/we
agreed that the Affordable Unit must continuously be owned by me/us and used as my/our
primary personal residence and for no other purpose during my/our ownership of the
Affordable Unit.

As Homeowner, if I/we do not comply with all requirements of the Affordable Agreements,
then the City has the right to exercise certain rights and remedies against the Affordable Unit
and me/us as detailed in the Affordable Agreements. The remedies include, but are not limited
to, I/we may be required to pay to the City the amounts due under the City Shared
Appreciation Loan Agreement.

By this Certification, I/we declare, affirm, and certify under penalty of perjury the following:

1. As Homeowner, I/we have continuously occupied the Affordable Unit during the past
year and presently occupy the Affordable Unit as my/our primary personal residence.
We have not been absent for more than 60 days cumulatively during the past calendar
year.
2. As Homeowner, I/we have not, at any time since buying the Affordable Unit, rented out
a room or rooms in the Affordable Unit, nor entered into a rental or lease agreement for
any part of the Affordable Unit.
3. As Homeowner, I/we have not obtained a new loan, or refinanced the original first
mortgage issued without prior written consent by the City.
4. As Homeowner, I/we have not made unpermitted improvements to the Affordable Unit
that required building or other permits issued by the City.

Homeowner Name

Date

Address

Page 2

We have attached true and complete copies of recent utility bills or other documentation evidencing my/our continued occupancy of the Affordable Unit.

SIGNATURE

SIGNATURE

PRINT NAME

PRINT NAME

Executed at _____, California on _____, 202

ATTACHMENT 10
SUBORDINATION AGREEMENT CHECKLIST

CITY OF ARCADIA
SUBORDINATION AGREEMENT CHECKLIST

Date: _____

Homeowner Contact Information

Name of Homeowner:	
Street Address:	
Arcadia, California	Zip Code:
Daytime Phone:	Email Address:

Lending Institution Information

Name of Lending Institution:	
Street Address:	
City, State and Zip Code	
Contact Person	
Daytime Phone:	Email Address:
What type of loan are you applying for?	
What is the dollar amount of the loan?	
What is the reason for the loan?	

Please attach a recent copy of the Preliminary Title Report from the lender and an estimated closing statement.

Existing Loans Secured by the Affordable Unit

Please list all loans that are secured by your home and the total current outstanding principal and interest balance of each loan.

Loan Identification	Principal & Interest Balance
Total Amount Owed	\$

Fair Market Value of the Affordable Unit

What is the current estimated value of your home? \$ _____
If you have a recent appraisal (within the past year), please attach a copy.

Certification

I/we certify that all information provided in this checklist and supporting checklist and supporting documentation is true and complete to the best of my/our knowledge. If at any time this information is found to be false or incorrect, and it is determined that I/we do not qualify to refinance my/our Affordable Unit, I/we are liable for all costs incurred.

By:
Name:
Date:

By:
Name:
Date:

Remember to attach the following documents:

1. The most recent Preliminary Title Report.
2. An estimated closing statement.
3. Most recent appraisal if one has been prepared within the past year.