

## Exhibit E – Affordability Plan

### McGrath Real Estate Partners

This Affordability Plan is referenced in the development agreement between McGrath Real Estate Partners and the City of Flagstaff, approved by Council through Resolution 2019-02. This document can be modified only upon the express written agreement of the City’s Housing Director. The development is comprised of 268-unit multi-family units in two five-story buildings, in which 10% (27) of the units will be designated as rent restricted for the Affordable Housing Program (the “Program”). This document serves to detail the requirements set forth in Section 5.3 and is referred to as “Exhibit E” of the Development Agreement. The Program will be run by the chosen property management company and overseen by the City of Flagstaff Housing Section.

### Program Details

- 27 of the 268 units will be designated as Rent Restricted Units (RRUs)
- The maximum monthly rental price will be based on tenant income; no greater than 33% of tenant’s income will be spent on rent and basic utilities
- The average income served by the Program shall be 80% AMI; applicants who qualify for the Program shall earn an income no greater than 100% of the Area Median Income (AMI)
- Lease terms will be no less than nine months and not more than 12 months
- Notice of recertification will be required no more than 120 days prior to lease expiration. Annual income recertification shall occur at lease renewal. Any changes to household size shall be reported at lease renewal; appropriate changes to the unit size will be determined by management, based on RRU availability.

Unit Mix		
Unit Size	Designated for Program	Total in Project
Studio	6	22
One bedroom	10	20
Two bedroom	9	36
Three bedroom	2	25

### Qualifications

All applicants interested in an RRU will be required to fill out the standard application, regardless as to whether their qualifications meet the income guidelines or not. The following information will be used to determine eligibility to lease a RRU:

#### **Household Size \* Student Status \* Income \* Assets \*Criminal Disclosure\* Rental History \* Credit History**

1. **Household Size.** A key component of the income qualifying process as shown on the income limits chart (attached), household size will be used to determine how many individuals will be residing in the unit, and how large of a unit the household requires.
2. **Student Status.** A household solely comprised of full-time students in most instances, will not qualify for the Program. Exceptions to this policy include:
  - The household consists of minor, dependent children in the legal custody of a student. Proof of custodial award may be required.
  - Household member participates in the Job Training Partnership Act (JTPA) program and can provide documentation and on-going participation.

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- Part-time students qualify as long as they are employed more than 25 hours a week and provide verification of part-time student status (9 hours or less per semester).
  - A household whose occupants are all considered full time students (more than 10 hours per semester) may qualify if the following criteria are met and verified:
    - To be eligible for the Program, full time students living outside of their parents' or legal guardians' homes, must have established a separate household for at least one year prior to applying for the Program. Supporting evidence must be provided.
    - All occupants are employed a minimum of 25 hours per week.
    - All occupants have not been claimed as a dependent on their parents', guardians', or other's tax payer's income tax return for the duration of the last two years. Supporting tax returns of the applicants must be provided.
3. **Income.** All employed applicants over the age of 18 that live in the RRU must provide income verification. Applicants who qualify for the Program shall earn an income no greater than 100% of the Area Median Income (AMI). The City of Flagstaff's standardized income verification formula must be used. Information/documentation used includes:
- Front page of previous year's tax return
  - Last 6 weeks of pay stubs
  - Copies of awards, grants, or scholarships
  - Proof of child support
  - Social Security award letter
  - Self-employed will be asked to provide last 2 year's tax returns and 1099s. etc.
  - Third party verifications (faxed, emailed, or mailed)
  - Other required income information as deemed necessary from the management based on information provided in the application
4. **Assets.** Applicants will be asked to disclose total assets over \$5,000 or more. If the applicant sold a home or real property within the last 24 months, a copy of the closing statement must be provided. If the applicant has disposed of an asset through foreclosure or short sale within the last 24 months, documentation of said transaction must be provided.
5. **Criminal Disclosure.** All applicants will be required to disseminate any past arrests and/or convictions. Approval or denial will be based upon established (Management Company TBD) guidelines set forth with the criminal background search firm (TBD).
6. **Rental History.** All applicants will be asked to provide information regarding prior rental history. Open eviction or current, unpaid collection activity on former rental accounts will be cause for decline of the application.
7. **Credit History.** All applicants will be asked to provide permission to access their consumer credit report.
8. Applicants that are currently enrolled in a federal housing subsidy program do not qualify for the Program. Households on the wait list for a Federal Housing Subsidy at the time of move in and who are activated off the wait list for a Federal Housing Subsidy while a participant in this Affordable Housing program will be allowed to remain a participant in this Affordable Housing Program until

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the household's current lease expires. The household must notify the Owner or their designee within 10 days of the award of the subsidy and provide documentation of said award.

### Property Information

Commencing at issuance of Certificate of Occupancy, each building will have RRUs available for Program-eligible tenants. The RRUs shall be scattered throughout the two buildings to the extent feasible; however, the location of each RRU does not have to be fixed. "Floating" units are permitted based on applicant requests and unit availability. Additionally, it is acceptable if the initial unit mix identified in this document shifts slightly over time based on need and availability, so long as the average AMI remains at 80%.

### Affordable Unit Reporting

A property management company representing the Developer will monitor and administer the Affordable Housing Program. The property management company will provide to the City of Flagstaff's Housing Section on a semi-annual basis the following information:

- List of RRU vacancies
- List of potential lease ups
- Name and household size of each RRU tenant
- Gross household income of all tenants residing in the RRUs
- Proof that the incomes served average 80% AMI
- Notes about the status of renewals or any other issues being reviewed by property management
- Proof the RRU count is maintained at 27
- Location of RRUs
- Current waiting list and unit size requested

### Advertising

If any vacancies are reported to City staff, the management shall also provide proof of the property's effort to advertise the availability of affordable units to qualified households.

### Definitions

**Affordable Housing:** the national standard for housing affordability involves no greater than 1/3 of a household's gross income spent on rent or mortgage costs, including utilities.

**Area Median Income (AMI):** The median income of household Income limits are determined by HUD and updated annually. The City of Flagstaff Housing Section will supply the property management company with HUD's updated income limits annually.

**Rent Restricted Unit (RRU):** Any of the 27 designated affordable units that house qualified applicants. The maximum monthly rental price for an RRU shall be no more than 33% of the qualifying household's monthly income.

**Household:** All the persons living in the unit more than 50% of the year. Household size is a key qualifying component for the Program. Building codes and Fair Housing standards shall be followed when placing a household of any size into a rent restricted unit.

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**Household Income:** Total income received by all members of the household over the age of 18. The Program policy stipulates that the income average be set at 80% AMI, with a maximum of 100% AMI.

**US Department of Housing & Urban Development (HUD):** Income limits for various federal housing programs are determined by HUD. 30%, 50%, 80% and 100% area median income categories are provided annually by HUD. The 60% income category is provided by Arizona Department of Housing (ADOH). The Affordable Housing Program referred to in this document is not federally run. See income limit chart below for allowable incomes for the Program.

#### 2018 Area Median Income Limits for Flagstaff

Household size	30%	50%	60%	80%	100%
1	\$14,700	\$24,500	\$29,400	\$39,200	\$52,600
2	\$16,800	\$28,000	\$33,600	\$44,800	\$60,100
3	\$20,780	\$31,500	\$37,800	\$50,400	\$67,600
4	\$25,100	\$35,000	\$42,000	\$56,000	\$75,100
5	\$29,420	\$37,800	\$45,360	\$60,500	\$81,100
6	\$33,740	\$40,600	\$48,720	\$65,000	\$87,100
7	\$38,060	\$43,400	\$52,080	\$69,450	\$93,100
8	\$42,380	\$46,200	\$55,440	\$73,950	\$99,100

Note: 30%, 50%, 80% and 100% income categories are provided by HUD. The 60% income category is provided by ADOH.