



SMALL PROPERTY ADDITIONAL UNIT PROGRAM (SPAUP)

<https://www.somervillema.gov/departments/programs/inclusionary-housing-program>

March 14, 2022

SMALL PROPERTY ADDITIONAL UNIT PROGRAM

Overview

- Introduction
- Steps before construction
- Tenant selection
- Program eligibility



**INCLUSIONARY
TEAM**



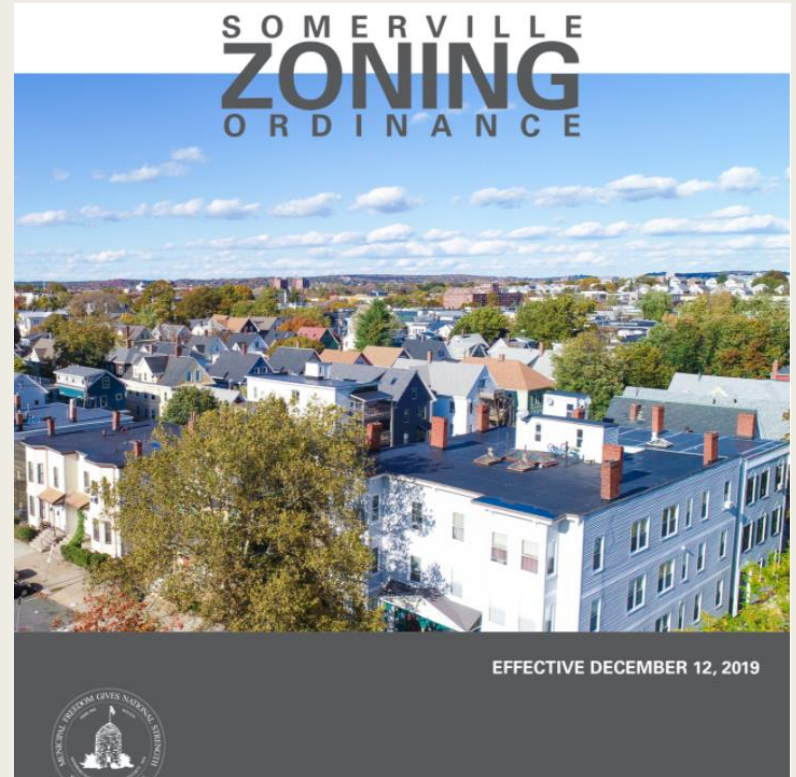
**HOUSING
COUNSEL**



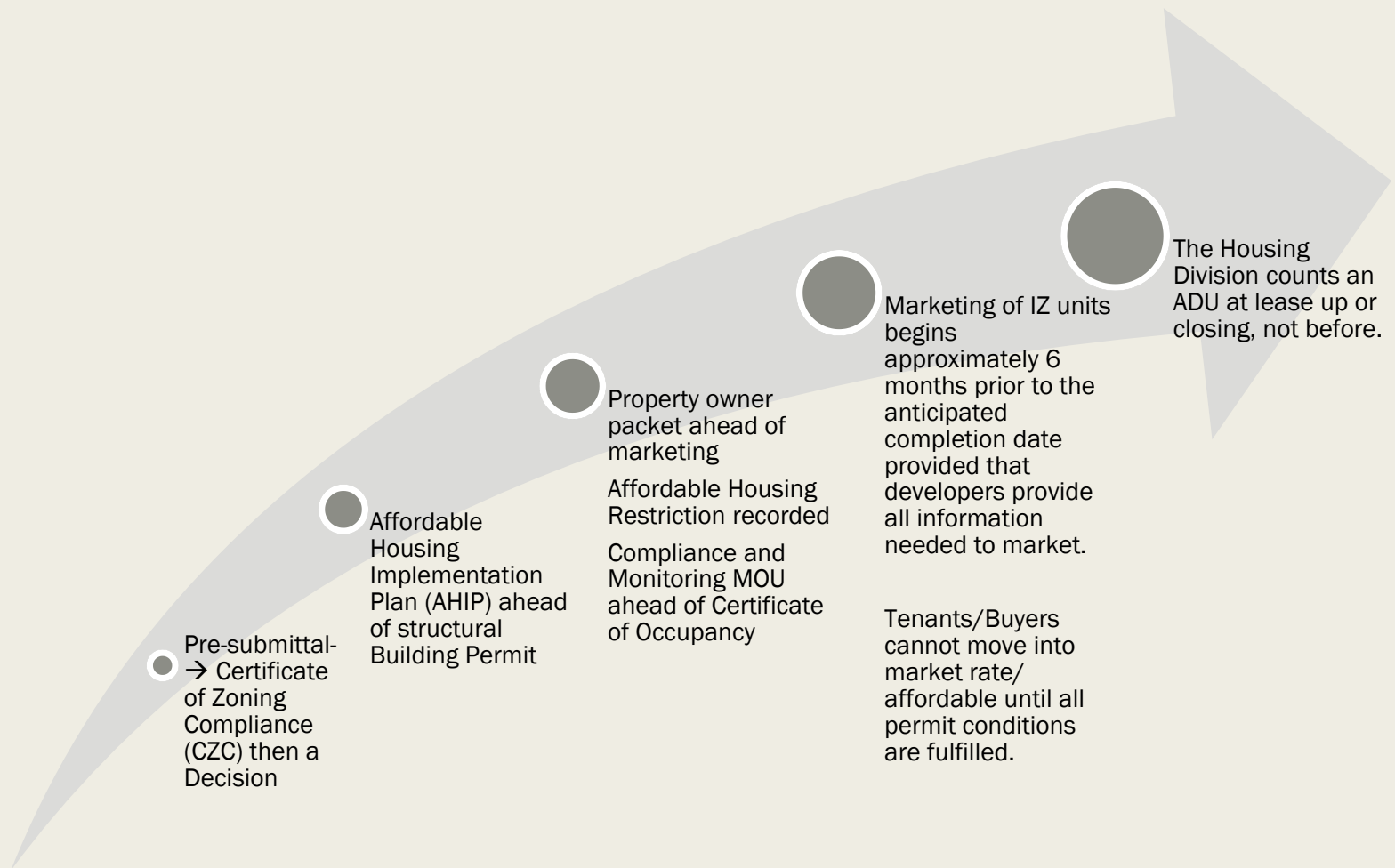
**COMPLIANCE &
MONITORING**

What is inclusionary housing?

- Private residential developers are required to deed restriction some units as affordable
- Generally, any new residential building with 3+ units will need to provide some affordable housing
- These units are rented or sold to households that meet program requirements and income eligibility
- Annual compliance ensures these resources stay affordable



How exactly does a unit come online?



Small Property Additional Unit Program (SPAUP)

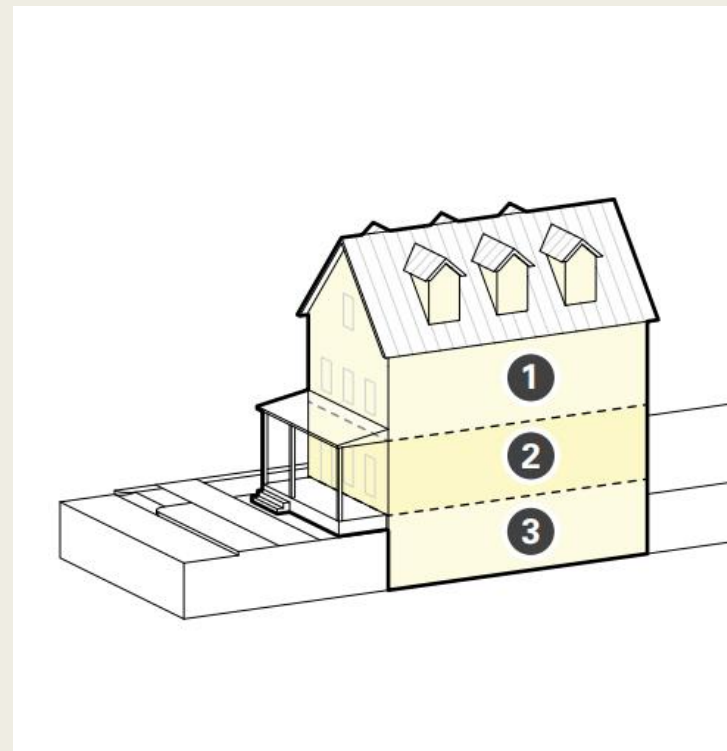
Residential District	Building Types	Dwelling Unit per lot	Required ADU	Tier	Commercial Gross Area	Affordable Housing Linkage
Neighborhood Residential (NR)	Detached House, Semi-detached, Detached Triple Decker	3	1	3		
	Backyard Cottage					
	Semi-Detached Triple Decker	3				
Urban Residential (UR)	Multi-plex	Four-6	20%			
	Apartment House, Row House	Four- 10				
	Apartment Building	4+				

- Investors and homeowners of two-family properties can add an additional unit, so long as its affordable at Price Tier III
- Housing Division created separate policies and procedures for these properties- effective October 4, 2021
- Differences in policy for investor vs owner-occupied

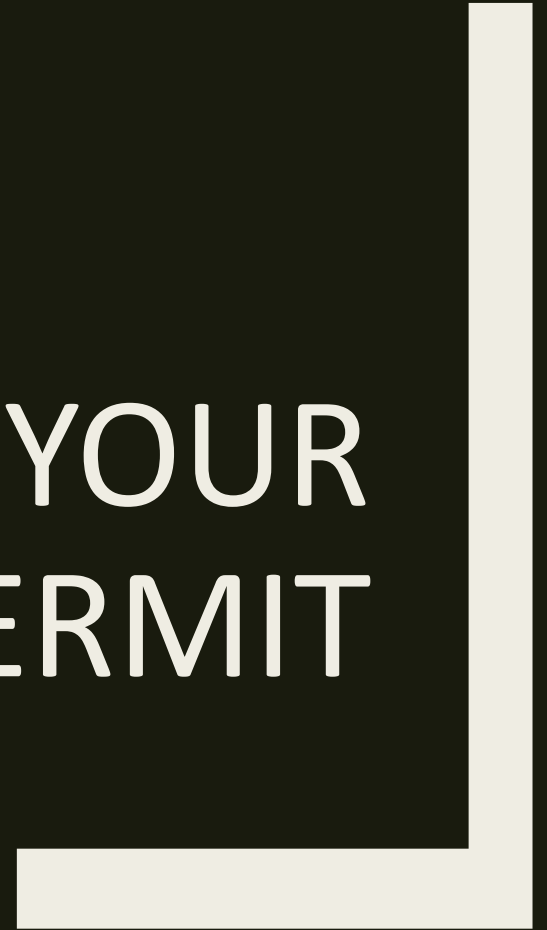
Small Property Additional Unit Program (SPAUP)

Key Differences:

- All 3rd units are affordable at Tier III
 - *Rental = 110% AMI*
 - *Homeownership = 140% AMI*
- Owner-occupied buildings have more flexibility with tenant selection
- All property owners must attend a Fair Housing Training prior to marketing
- A site inspection before renovation/construction



BEFORE YOUR
BUILDING PERMIT



Certificate of Receipt of Materials (COR)

- Completed and executed Affordable Housing Acknowledgement (AHA)
- Copy of the property's deed
 - *Property owner is the only person who can execute the Affordable Housing Implementation Plan*
- Stamped floor plans showing the new unit with square footages

What is the Affordable Housing Implementation Plan (AHIP) and why do you need it?

- Document that memorializes the affordable unit, common amenities, rent/ sales price, tenant selection and annual compliance
- Without a fully executed AHIP- you cannot receive a building permit
- Takes 2- 4 months to complete an AHIP
- Pre-inspection of the property and unit required prior to execution

Topics covered by the AHIP

- Affordable Unit Selection and Price Tier
- Affordable housing restriction
- Unit finishes and property amenities
- Certificate of Occupancy
- Condominium Documents (if homeownership)
- Condominium Conversion (if rental)
- Rental or Sales Price Calculation
- Responsibilities for marketing and tenant selection
- Annual Compliance and monitoring
- General Conditions

Affordable Unit Selection

- Typically, the newly constructed 3rd unit will be designated as the affordable unit
- Housing Division can select other units if there is a unique or desirable feature (i.e., fully accessible unit)
- Can consider an existing unit, but will trigger additional requirements
 - *Housing Quality Standards*
 - *521 CMR MAAB TYPE-1 kitchens and bathrooms*
 - *Energy Star standard appliances/utilities*
 - *Stretch Energy Code requirements*
 - *De-leaded or abatement of lead hazards*
 - *Minimum Housing Quality Standards for three-bedroom units per Section 12.7(c)(i)*
 - *Address all issues that may have come up on an inspection/walkthrough by City staff*
 - *Upgrades of unit finishes and appliances of similar quality of new unit*

TENANT SELECTION PROCESS FOR SPAUP



Prior to Marketing

- All owners, whether or not they are investor-owners or owner-occupants, are required to attend a Fair Housing Training prior to marketing an ADU through the Suffolk University Housing Discrimination Testing Program (HDTP) or other training program previously approved by the Housing Director.
- Fair Housing training certificate will be valid for five years
- The name of the training seminar will be “Fair Housing training for the SPAUP.” The HDTP will provide each owner a certificate detailing that they successfully completed a fair housing training through their organization.

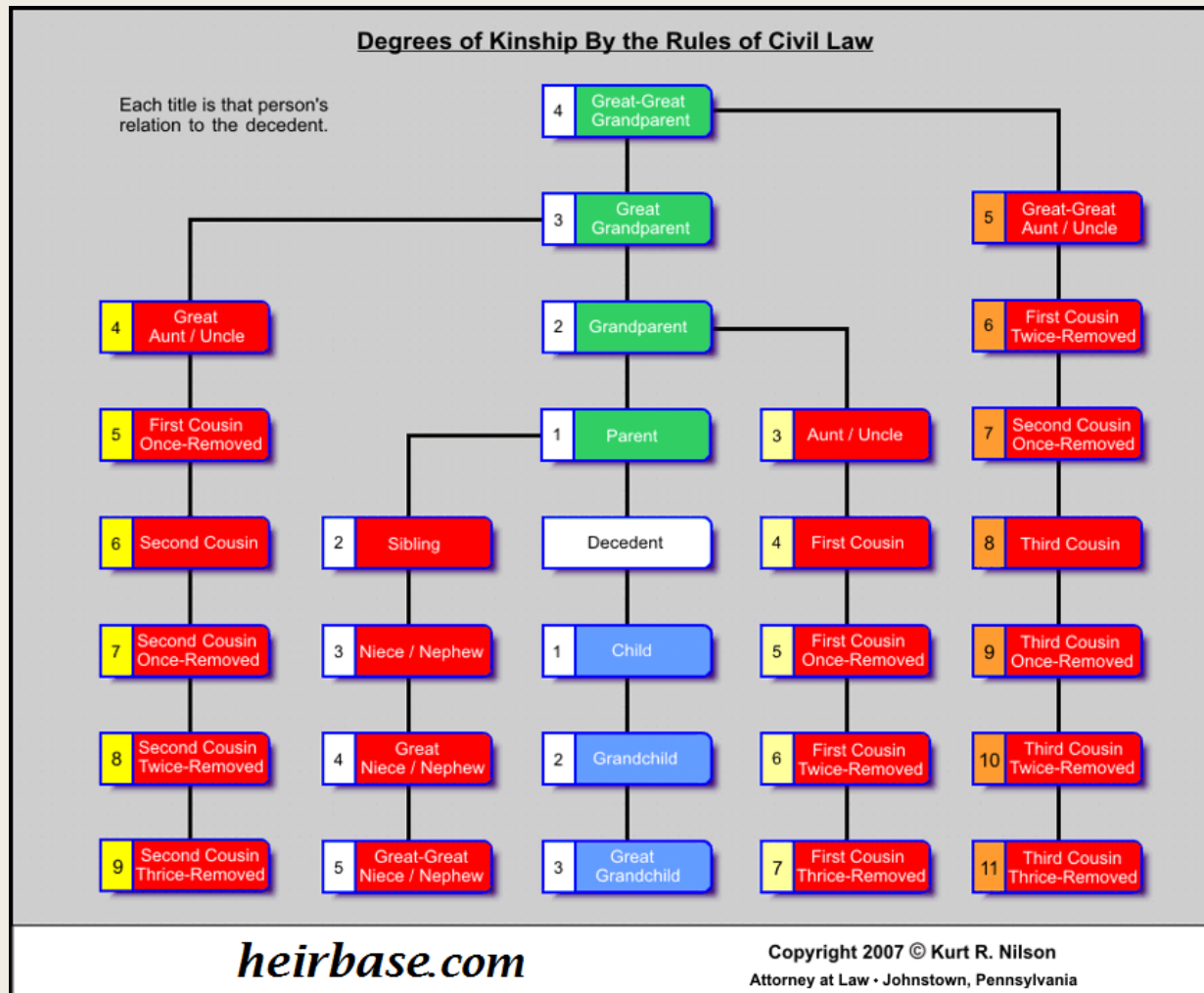
Tenant Selection for Investor-owned Buildings

1. An existing tenant household may be considered for the ADU, provided the household is income-eligible and is an appropriate household size for the bedroom type of the ADU, and in the case of homeownership, is a first-time homebuyer household that has completed or will complete a first-time homebuyer training class prior to the closing.
2. If the above option is not applicable, owners not residing on the property are required to select occupants for a third (3rd) unit ADU from the Consolidated Waitlist (CW).

Tenant Selection for Owner-Occupied Buildings

1. Owner-occupants may rent or sell to an eligible household member within the third (3rd) degree of kinship. (https://heirbase.com/degrees_of_kinship_chart/)
 1. *A notarized affidavit attesting to the nature of the kinship must be provided.*
2. An existing tenant household may be considered for the ADU provided the household is income-eligible, and is an appropriate household size for the bedroom type of the ADU, and in the case of homeownership, is a first-time homebuyer household that has completed or will complete a first time homebuyer training class prior to the closing.
3. Owner-occupants may elect to follow the Fair Housing Marketing Plan (FHMP) requirements provided by the City when selecting a tenant or a buyer for the third (3rd) ADU in lieu of selecting a tenant or buyer from the CW. A thirty (30) day application submission period will be designated, and all resulting applications must be compiled and split into corresponding pools based on existing City preferences in a waitlist for the unit that must be maintained by the owner or an appropriate 3rd party.
4. Owner-occupants may select a tenant from the Consolidated Waitlist.

Degrees of Kinship



Somerville Live or Work Preference

- Preferences goes to applicants **currently living or working full time* in Somerville** who provide current verification of this with a complete and eligible application.
- Valid forms of verification must be **dated within 30 days of the date the application is submitted**. It must include a household member's name and be sent to a Somerville address, applicant is claiming as their residence.
- Must work in Somerville at least 32 hours per week.

Future Inclusionary Rental Waitlist

Proposed Priority Structure

Tiers	Priority Status for Households with Emergency Needs (Note: all priorities have equal status)
<p>Tier 1: Current Somerville residents</p>	<ul style="list-style-type: none"> • Currently homeless (in emergency shelter or street homeless) with a mobile voucher or sufficient income to pay affordable rent and utilities <ul style="list-style-type: none"> ○ If homeless outside of Somerville, has children attending SPS • Required by ISD to vacate due to uninhabitable conditions
<p>Tier 2: Currently work in Somerville OR Displaced within last 2 years</p>	<ul style="list-style-type: none"> • Experiencing domestic violence (DV) or recently displaced as a result of DV <ul style="list-style-type: none"> ○ For uninhabitable conditions and DV, applicant given priority status if i) they are not already permanently rehoused or ii) they are permanently rehoused but are paying >50% of their monthly gross income toward rent + utilities
<p>Tier 3: No preference</p>	<ul style="list-style-type: none"> • At risk of imminent displacement documented by: <ul style="list-style-type: none"> ○ a no-fault notice to quit or a no-fault notice of lease nonrenewal; or ○ a current summary process action pending for no fault reason or for nonpayment where rent + utilities > 50% of gross income; or ○ Where a judgement has been entered against the tenant whether or not execution of a judgement has been stayed

PROGRAM ELIGIBILITY



General Eligibility Requirements

1. Minimum household size
 1. *Unless eligible for a reasonable accommodation*
 2. *In the future, couples will only be eligible for 1BR rentals*
2. Assets must not exceed \$250,000 (excluding restricted retirement accounts, college and health savings plans)
3. Both heads of household cannot be full-time students
4. If household owns property, it must be sold before move in
5. Unrelated household members must have a history of living together leading up to open app. period
6. Min. incomes apply unless household has a voucher

Household defined

- All persons who intend on moving into the unit and residing with applicant during the first year.
 - *A household member may also be someone who is temporarily absent.*
- A household may consist of unrelated and unmarried persons with a history of living together, leading up to open app. period.
- A household includes children under the age of 18; persons without income; full-time students over 18; unborn children if in the 3rd trimester at the time of application deadline; and children who reside with the applicant 183 or more days in a year.
- If applicant or household member is legally married without intention of getting a divorce the spouse (and spouse's income & assets) must be included in application and in determining eligibility even if the spouse does not intend on residing in IZ unit

Income Guidelines

- HUD's 24 CFR 5.609 Part 5 Definition of Annual Income
 - All amounts, monetary or not, that go to or are received on behalf of any household member (even if the family member is temporarily absent).
 - All amounts anticipated within the next 12 months including bonuses, raises, commission and overtime.
 - This includes interest accrued from assets (if above \$5,000) to which any member of the family has access.
 - If a change in income/jobs/unemployment is anticipated within that year it must be disclosed and will be taken into account.
 - HUD publishes PMSA Boston, MA Area Median Income limits annually and they vary depending on household size (see slide no. 18).

Income Examples

- Examples of income include but are not limited to...
 - (Un)employment earnings, (incl. seasonal, overtime, commission, bonuses, longevity payments, etc.) Social Security/Disability Benefits, severance pay, pension, child support (regardless if in arrears), death/survival benefits, alimony, self-employment, contracts, compensation from one-time events/gigs (ex. TaskRabbit), assistance from families/friends, earnings from yard sales, selling art/used clothes, fundraising campaigns (Go Fund Me, Crowd Source etc.), donations/financial assistance, gifts, settlements, reoccurring rent/utility reimbursements and interest/dividends earned on assets.

Asset Examples

- Examples of assets include but are not limited to...
 - Checking, savings, money market, IRA, Roth IRA, Keoghs, 401K, 403B, 457B or any other retirement account, college savings plans, health savings plans, insurance policies, Venmo, PayPal, Square Inc. (or any other payment processing/money transferring accounts), Bitcoin (and/or any other virtual currencies), securities, stocks and bonds, shares, Treasury bills, CDs, mutual funds, cash on hand (under the mattress/in a safe overall outside of a formal account), Safe deposit box contents, GoFundMe Me (or any other crowdsourcing/fundraising platform account), trust funds, community pools, community funds (ex. Ujima Fund), investment property, rental property, other real estate holdings, any other investment accounts even if ownership is shared or balance is 0.

Homeownership Eligibility Requirements at Time of Application

1. First time homebuyer certificate/proof of enrollment
 - a. *Must include a valid copy with application valid thru lottery*
2. Mortgage pre-approval letter for 30-year fixed mortgage
 - a. *Must include **interest rate or interest rate range***
 - b. *The amount must **cover the price of the unit***
 - c. ***Must have expiration date and be valid through the lottery***
 - d. *Pre-approval letters subject to credit, employment and asset verification to meet this requirement*
 - e. *Letters from internet banking sites do not meet this requirement*
3. Must have at least 3% of purchase price available for down payment
 - a. *Plus sufficient funds to cover closing costs*

First Time Homebuyer Exemptions

1. **A displaced homemaker:** A displaced homemaker is an individual who is an adult who meets ALL of the following criteria:
 1. *Has not worked full-time, full year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family*
 2. *Owned a home with his or her partner or resided in a home owned by the partner*
 3. *Does not own the home previously owned by the partner*
 4. *Is unmarried to or legally separated from the spouse*

First Time Homebuyer Exemptions Cont.

2. **A single parent**, where the individual owned a home with his or her partner or resided in a home with his or her partner or resided in a home owned by the partner and is a single parent (is unmarried or legally separated from a spouse and either has one (1) or more children or whom they have custody or joint custody, or is pregnant).
3. **An age-qualified household** (in which at least one member is age 55 or over) which is selling a home in order to purchase an income-restricted unit (IZ).
4. A household that owned a property that was not in compliance with State, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.
5. A household that owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.

Homeownership Income Cert. Initial Docs Req.

1. Employer verification forms signed by all adult household members who are employed
2. Most recent 3 years of W2s and federal tax returns for all adult household members
 1. *If taxes were not filed, verification of this must be provided*
3. No- income statements for all adult household members not receiving income and signed by no-income household member and head of household
4. Most recent 3 months of ALL asset and income statements
5. Verification of student status for any adult household members
6. Copies of social security cards/passports or other IDs for ALL adult household members
7. Notarized cash affidavits

Program Compliance (Homeownership)

- Annual monitoring includes current verification of residency
- If an Owner wishes to re-sell the ADU, the Seller must provide written notice to the Housing Division at least six (6) months prior to the date a household desires to sell the unit to ensure sufficient time to establish a re-sale price, identify a Buyer, verify Buyer eligibility and for the closing to occur.
- The re-sale price shall be established by the Housing Division according to the calculations established in Article 12 of the Somerville Zoning Ordinance. The Seller may either locate an eligible buyer or opt to have the City market the unit and conduct a lottery to identify an eligible buyer.

Rental Income Cert. Initial Docs Req.

1. Employer verification forms signed by all adult household members who are employed
2. Most recent W2s and federal tax returns including all schedules and pages for all adult household members
 1. *If taxes were not filed, verification of this must be provided*
3. No- income statements for all adult household members not receiving income and signed by no-income household member and head of household
4. Most recent 3 months of ALL asset and income statements
5. Verification of student status for any adult household members
6. Notarized cash affidavits

****Affordable Rental Units require annual re-certification performed by the landlord/ property manager.****

Rent Calculations

- Based off Median Family Income for Boston Area established by HUD
- Uses Somerville Housing Authority Utility Deduction Chart
- Maximum rents to be published on website each year

Example: One-Bedroom, tenant pays electricity, heat (electric)

Gross Rent: \$2,000

Less utility allowance
electricity: (\$200)

Max. rent paid by tenant:
\$1,800

Program Compliance (Rental)

Once in a unit, households can make up to 140% of affordability level and continue paying rent at that tier before moving up.

Compliance and monitoring team reviews complete income certs and provides final approval for lease renewals.

Wait list may be maintained by management or the compliance and monitoring team depending on property

Lease and lease riders are signed annually.

MOUs are executed with the management company and owner establishing compliance and monitoring.

Rooms cannot be rented

Changes in income and household composition must be reported annually at time of recertification

Rents can increase annually