

Outline for Inclusionary Zoning Regulations for Middle-Income Homeownership Units

(Only items different from the outline for rental units are included.)

Household Income Limits

- Maximum allowable sales price for a Middle-Income Unit (MIU) is restricted to that affordable to a household (HH) at or below 120% of the area median income (AMI).

Eligibility of Households

- Eligible HH members must be permanent members of the US (so as to limit the risk of loss of the unit's affordability restrictions due to foreclosure of a HH no longer able to reside in the US).
- Again, let's reduce complexity by not regulating household size in relation to unit size.
- Closing costs and a down payment of up to 20% of the sale price may be gifted to an Eligible Household.

Maximum Allowable Sale Price

- The maximum allowable sale price at the initial sale of a MIU and for any subsequent sales are based on the following:
 - Consider not using Portland's method of basing the maximum sales price on number of bedrooms but instead base it directly on the income of the Eligible HH applying for the MIU.
 - First calculate 30% of the gross monthly income for a HH earning 120% AMI: $(\text{HH's } 120\% \text{ AMI} \times 0.30)/12 = \text{monthly income available for housing expenses}$.
 - Housing expenses available for studios will be calculated at 85% of the income available for a one person HH: $((\text{HH's } 120\% \text{ AMI} \times 0.30) \times 0.85)/12 = \text{monthly income available for housing expenses of a studio unit}$.
 - That portion of monthly income may be attributed to mortgage payments less other housing related expenses such as real estate taxes, mortgage insurance, condominium/HOA fees, and insurance.
 - Mortgage insurance will be estimated similar to current rates utilized by the Federal Housing Administration (FHA) or another reasonable method as determined by the City.

- The sale price will then be based off a 30 year fixed rate mortgage with a 5% down payment.
 - It will be allowable for qualified buyers to offer a larger down payment, but a down payment larger than 5% will not increase the maximum allowable sale price of an MIU.
- Interest rates for the calculation will be the average national mortgage rate over the past thirteen years as determined by the Freddie Mac Primary Mortgage Market Survey or another source as determined reasonable by the City. The interest rate for the calculation will be determined at the time the unit is marketed.

Condominium/HOA Fees

- City shall review and approve the initial condo/HOA fee, if any.
- Fees shall be shared proportionately among the units based on the City tax assessment for the value of the units. The assessments will take into account the MIUs' restrictions and assess accordingly. Voting rights will be no more or less than one vote per unit.
- Fees may not increase more than 10% in a single year nor more than 25% in any three-year period without a supermajority vote gaining 100% support of the Association.
- City shall have right of first refusal if an MIU is forced to sell due to increased fees or has become delinquent in its payments and is in risk of foreclosure.

Interior Standards

The design, quality, and materials of MIU interiors need not be the same as market rate units. However, the MIUs may not be strategically designed to avoid offering basic amenities similar to what are included in the market rate units such as the following:

- Kitchen
 - Refrigerator
 - Stove or separate cook top and oven
 - Sink Disposal
 - Cabinets
 - Range Hood
 - Microwave (if provided in market rate units)
 - Washer Dryer (if provided in market rate units)
 - Countertop: Minimum Counter Space not including sink and stove

- Studio – 4 linear feet
 - 1BR – 6 linear feet
 - 2BR – 8 linear feet
 - 3BR – 10 linear feet
- Bathroom
 - Sink
 - Shower
 - Toilet
 - Shower Curtain Rod or Shower Door
 - Medicine Cabinet with Mirror or other storage space with a separate mirror
- Flooring
 - All living space and storage areas shall have a finished floor. The MIUs should have the same or comparable floor finishes to the market rate units. However, in order to promote respiratory health, living and dining areas and at least one bedroom should have a surface other than carpet.
- Closets
 - All units shall have adequate storage (including common space storage if provided to the market rate units)
 - All bedrooms shall have at least one closet including at least one closet for a studio
 - All closets shall have a shelf and pole

Household Preference

- Preference will be given in the following order:
 - Current residents who have lived in South Portland for the past two years.
 - Previous residents who were displaced within 12 months prior to the Middle-Income Unit becoming available.
 - Persons employed full-time by the City
 - All others

Minimum Term of Affordability

- The MIU shall be continue to be required to meet these affordability provisions for the following time periods:

Percentage of Middle-Income Units Provided	Minimum Term of Affordability for Required Middle-Income Units
10%	Longest term permitted under federal, state and local laws and ordinances
25%	30 years
50%	20 years
100%	10 years

- For MIUs proposed above the minimum 10% of required units, there will be no restrictions placed on subsequent sales of the units.

Reduction of Fees

- Development fees shall be reduced as follows:

Percentage of new units that are low-income or middle-income units and that are not otherwise required according to Sec. 27-1804 ("Ensuring Middle-Income Housing")	Percentage discount of development fees	Cost of Work (Building Permit) Fees in lieu of Sec. 5-60(a)(1)
5% up to but not including 10%	5% reduction	\$10.50 per \$1,000
10% up to but not including 15%	10% reduction	\$9.90 per \$1,000
15% up to but not including 20%	15% reduction	\$9.35 per \$1,000
20% up to but not including 25%	20% reduction	\$8.80 per \$1,000
25% or more	25% reduction	\$8.25 per \$1,000

Household Preference

- Preference will be given in the following order:
 - First time homebuyer.
 - Current residents who have lived in South Portland for the past two years.
 - Previous residents who were displaced within 12 months prior to the MIU becoming available.
 - Persons employed full-time by the City
 - All others

First Time Homebuyers

- The following are the criteria for consideration as first time homebuyers:
 - None of the HH members have had an ownership interest in their home within the last three years; or
 - A single parent who has owned a residence while married but no longer holds financial interest in the home.
- First time homebuyers must take a homebuyer education course.

Off-Site Units

- A developer may satisfy the MIU requirements by providing the units off-site through construction of new units, the restriction of existing market rate units, or the conversion of non-residential uses. The following provisions apply:
 - Must be located in the same Census Block Group or the Project or within 1,500 feet of the Project
 - Must be comparable or larger in size and bedroom count to the average units being created within the associated Project.
 - Must be similar in quality to the units being created in the Project and, if needed, be rehabbed to be similar in quality.
- The City will not accept off-site units that show signs of substantial wear and deterioration.
- Off-site units shall be delivered safe in accordance with all laws and regulations.
- Developers of condominium projects providing off-site MIUs may choose to provide the off-site MIUs for rent at 100% of AMI with City approval.

Financing

- MIUs shall not have a mortgage on a unit that contains the following:
 - A pre-pay penalty or a balloon payment.
 - A reverse mortgage.
 - An adjustable rate mortgage (ARM).
 - A co-signer.
 - An interest only loan.
 - The loan to value ratio exceeds 95% of the maximum allowable purchase price.