

# CITY OF MCKINNEY

## AFFORDABLE HOUSING POLICIES AND PROCEDURES

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### Purpose

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This policy covers all the programs of the Housing Services Division of the Housing and Community Development Department including, but not limited to: emergency and minor repair, rehabilitation, reconstruction, new construction and down payment and closing cost assistance for income qualified person and eligible properties. Our mission is to continue to encourage and maintain community diversity by ensuring housing choice and homebuyer opportunities to meet the needs of people of different ages, incomes and/or social and economic backgrounds, and different household and family structures by:

- Providing for a process to grant incentives to builders for the development of quality, accessible, affordable housing in furtherance of the City of McKinney's goal of creating affordable housing opportunities for low-to-moderate-income families;
- Assist income eligible residents to purchase and maintain quality, accessible and affordable housing within the City of McKinney;
- Seeking funding to develop programs that insure a variety of quality, accessible, and affordable housing options exist in all areas of the City.

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### Authority

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The policies outlined under this program were established by City Council as follows:

- Resolution # 2001-06-93 dated June 6, 2001, **Affordable Housing Implementation Plan** (amended February 21, 2006, Resolution 2006-02-037)
- Resolution # 2001-06-096, **Land Disposition Policy** (amended December 2, 2003, Resolution 2003-12-182)
- Resolution # 2001-04-046, **Land Acquisition Policy** (amended October 5, 2004, Resolution # 2004-10-125)

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### Scope

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This document sets forth the administrative process for the implementation and monitoring of the Affordable Housing Program, which includes but are not limited to the following:

- Reviewing applications for incentives and determining conditions for approval pursuant to affordable housing development requirements.
- Executing agreements with homeowners and builders to ensure compliance with grant funding sources and Affordable Housing Policy.
- Ensuring compliance with Affordable Housing Policies and Procedures, and grant funding sources and taking appropriate action in the event of noncompliance.

- Maintaining reporting which monitors the location, type and assistance amounts provided to residents and builders to purchase, rehabilitate, maintain, and construct quality, accessible and affordable housing.

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### **Incentives Offered to Single Family Affordable Housing Builders**

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Construction or rehabilitation of single family, affordable housing may be eligible for some or all of the following fee reduction/waiver incentives:

- Resolution # 2001-06-94 dated June 6, 2001: **Waiver of Building Permit Fees** (all builders), **Waiver of Landfill Entry Fees** (for profit builders), **Waiver of Dumpster Setup/Haul Off Fees** (non-profit builders), **Waiver of Engineering Inspection Fees** (non-profit builders), **Waiver Erosion Control Deposit for Affordable Subdivisions** (all builders); (amended February 21, 2006, Resolution 2006-02-037)

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### **Fee Waiver/Reduction Application Process**

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1. To receive the fee waivers, the developer submits a *Fee Waiver Application/Authorization Form* for the specific incentives desired for each location. (non-profit builders will have fees waived and for-profit builders will have fees reimbursed after documentation has been submitted and approved.)
2. To obtain certification of agreement compliance the following documentation is provided to the Housing and Community Development Department at least 2 weeks prior to closing:
  - a. Completed Qualified Affordable Property Transaction Form;
  - b. Verification of the homebuyer's income eligibility;
  - c. Copy of New Home Contract indicating final cost of home;
  - d. Copy of Homebuyer's Mortgage Commitment Letter.

For the construction of a new single family home or the rehabilitation of an existing single family home to qualify for fee waivers/reductions, the following criteria must be met:

1. The home must meet affordability requirements based on price and income-level of homebuyer(s) or renter(s)
2. Homebuyers must earn 80% or less of the area median income and use the property as their primary residence for the period of the forgivable loan
3. The home must meet the requirements of all applicable City Codes
4. The home must be located on a lot that meets all residential requirements including setbacks, utility easements, infrastructure access, etc.

These incentives and others will be granted or denied solely at the discretion of the City of McKinney, subject to the availability of funds and the community value of the project.

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## Eligibility for Other Affordable Housing Programs

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In order to qualify for Home Buyer Assistance (HBA) both the home and the first-time homebuyer(s) must meet certain income and eligibility requirements. These requirements and information about the program can be found in the *HBA Procedures*.

In order to qualify for Emergency Repair, Minor Repair, Rehabilitation, and Major Rehabilitation/Reconstruction, both the home and the home owners must meet certain income and eligibility requirements.

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## Surplus Land Discount Application Process

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In addition, single-family affordable housing developers are eligible to purchase tax-foreclosed or fee simple surplus property from the City of McKinney deemed to be suitable for the construction of new, quality, accessible, affordable housing for income-eligible residents of the City of McKinney.

Each affordable housing developer, nonprofit and for-profit, wanting to purchase City-owned land will submit an application for *Surplus Land and Affordable Housing Development Application* to the Housing and Community Development department. The application includes the following information:

- a. A plan to develop the land as affordable housing for low-to-moderate income individuals or families in compliance with all applicable City ordinances and state and federal laws.
  - b. A timetable showing the commencement of construction and completion of affordable housing on the land by low-to-moderate income individuals or families.
  - c. Identification and sources of the necessary project financing.
  - d. Evidence that the requestor is not delinquent in payment to the City of any fees, taxes, or liens.
2. Applications meeting all requirements will be forwarded to the other taxing entities for review (if necessary). If approved by other taxing entities, the proposal will be forwarded to the McKinney Housing Finance Corporation (MHFC) for review. If the requestor does not meet all requirements or the proposed development is not accepted, the requestor will be notified in writing. This notice will include the reason for rejection.



3. If approved by the MHFC, the proposal will go before City Council for adoption by Resolution. If the proposal is adopted by Resolution, the requestor will submit a cashier's check for the proposed amount payable to the Gay, McCall, Issacks, Gordon and Roberts, P.C.
4. Conveyance will be by Special Warranty deed, to be executed by the appointed representative of each taxing entity. The Special Warranty Deed will contain:
  - a. A copy or summary of the proposal from the developing organization and a requirement that the property be developed by the organization in accordance with the proposal, including the timetable specified therein.
  - b. Reference to state-mandated redemption periods according to state law.
  - c. Deed restrictions requiring the purchaser to:
    - i. Restrict the sales or rental price of the housing unit to be affordable to low-to-moderate income individuals and families per HUD Guidelines.

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## Definitions

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1. Qualified Non-Profit Builder:
  - A non-profit organization that develops housing for low-to-moderate-income individuals and families as a primary activity to promote community-based revitalization of the municipality;
  - A non profit corporation described by 26 U.S.C. Section 501(c)(3) that:
    - has been incorporated in this state for at least one year;
    - has a corporate purpose to develop affordable housing that is stated in its articles of incorporation, by-laws, or charter;
    - has at least one-fourth of its board of directors residing in the municipality; and
    - engages primarily in the building, repair, rental, or sale of housing for low income individuals and families; or
  - A religious organization that:
    - owns other property located in the municipality that is exempt from taxation under Section 11.20 Tax Code; and
    - has entered into written agreement with the municipality regarding the revitalization of land.
2. Low - to - Moderate-Income Individuals and Families

An individual or family whose annual income does not exceed 80 percent of the area median income, with adjustments for the family size, as determined and annually updated by U.S. Department of Housing and Urban Development.
3. Affordable Housing:
  - Housing that:
    - is sold or rented to a low or moderate income family; and



- has a purchase price and an estimated appraised value at acquisition that does not exceed HOME Homeownership Value Limits established and published annually by U.S. Department of Housing and Urban Development; or
- has rents that do not exceed established annual guidelines

4. Affordable Housing Development Incentives:

- Those incentives granted to developers, both for-profit and non-profit, for the development of quality, accessible and affordable housing within the city.
- Those incentives or grants to individuals for the preservation, acquisition or rehabilitation of quality, affordable housing.

## II. LOT DISPOSITION

### **Purpose**

- To outline the process by which interested parties may purchase surplus and/or tax foreclosed properties, including private sale of property to qualified non-profit organizations and affordable housing builders, in furtherance of the City of McKinney's policy to create and preserve affordable housing opportunities for low-to-moderate-income families.
- Property owned by the City of McKinney, including property acquired by tax foreclosure, that is deemed to be surplus property, will be for Affordable Housing opportunities unless otherwise determined not suitable for Affordable Housing. Net proceeds, if any, will be used in the Community Housing Fund affordable housing program. (Net proceeds are the amounts remaining after all judgment and court costs have been paid and each taxing entity has received its pro rata share of taxes owed.

### **Disposal of Properties Not Suitable for Affordable Housing**

Property owned by the City of McKinney, including property acquired by tax foreclosure, that is deemed to be surplus property, and not suitable to be included in the Affordable Housing program, may be sold in one of the following three ways: by sealed bid, to abutting property owner, or by private sale.

1. Sale in accordance with Chapter 272 of the Texas Local Government Code by sealed bids where the property can be developed independently.
  - a. The property shall be appraised by a certified independent appraiser or the most recent appraisal roll approved by the Appraisal Review Board will be used to determine fair market value.
  - b. The property will be advertised on at least two separate dates in a local newspaper.
  - c. Bid opening will be at least 14 days after the second advertisement is published.

- d. Bids are to be submitted in writing and are to include the amount of the bid, street location of property, account number of property, name, address and telephone number of the bidder, and the letter is to be signed and dated by the bidder. Bids are to be submitted to the Purchasing Department, there to be stamped "Received" and dated.
  - e. It will be verified that the bidder has no delinquent taxes on other properties in Collin County.
  - f. The highest bidder will sign a "Conflict of Interest" statement.
  - g. City Council will accept the bid by Resolution, and the bidder will submit a cashier's check for the bid amount payable to Gay, McCall, Isaacks, & Roberts, P.C.
  - h. Conveyance will be by Special Warranty deed, to be executed by the appointed representative of each taxing entity. The Special Warranty Deed will contain reference to state-mandated redemption periods and the sale will not be concluded until the expiration of the redemption period.
  - i. The proceeds of resale will be distributed by the tax attorney in accordance with Section 34.06 of the Texas Property Tax Code, as amended.
  - j. If the buyer requests a title policy, the buyer shall select the title company, provide any required closing documents, pay all costs associated with closing and arrange for the closing on the property.
  - k. The title company will file the Special Warranty Deed, and any Release of Lien, in the Deed Records of Collin County.
  - l. If no title company is involved, the buyer is responsible for filing the Special Warranty Deed and any Release of Lien in the Deed Records of Collin County within sixty (60) days after purchase.
  - m. The taxing entities will delete any balances remaining on tax accounts.
2. Sale to the abutting property owner when the property is so small or irregularly shaped that it cannot be developed independently.
- a. Offers from abutting property owners will be accepted.
  - b. It will be verified that the bidder has no delinquent taxes on other properties in Collin County.
  - c. City Council will accept the highest offer by Resolution, and the bidder will submit a cashier's check for the purchase price payable to Gay, McCall, Isaacks & Roberts, P.C.
  - d. Upon approval, a Special Warranty Deed will be prepared, to be executed by the appointed representative of each taxing entity. The Special Warranty Deed will contain reference to state-mandated redemption periods and the sale will not be concluded until the expiration of the redemption period.
  - e. The proceeds of resale will be distributed by the tax attorney in accordance with Section 34.06 of the Texas Property Tax Code, as amended.
  - f. If the buyer requests a title policy, the buyer shall select the title company, provide any required closing documents, pay all costs associated with closing and arrange for the closing on the property.
  - g. The title company will file the Special Warranty Deed, and any Release of Lien, in the Deed Records of Collin County.

- h. If no title company is involved, the buyer is responsible for filing the Special Warranty Deed and any Release of Lien in the Deed Records of Collin County within sixty (60) days after purchase.
- i. The taxing entities will delete any balances remaining on tax accounts.

3. Private Sale.

- a. Property owned by the City of McKinney that is deemed to be surplus property may be sold by private sale.
- b. Upon receipt of a written offer of an amount not less than the lesser of the amount of the judgment or market value, plus costs of sale and resale, the offer will be forwarded for review by each taxing entity for approval.
- c. It will be verified that the bidder has no delinquent taxes on other properties in Collin County. After approval by other taxing entities, if applicable, City Council will accept the highest offer by Resolution, and the bidder will submit a cashier's check for the purchase price payable to Gay, McCall, Isaacks, Gordon & Roberts, P.C..
- d. Upon approval, a Special Warranty Deed will be prepared, to be executed by the appointed representative of each taxing entity. The Special Warranty Deed will contain reference to state-mandated redemption periods and the sale will not be concluded until the expiration of the redemption period.
- e. Upon the sale of tax-foreclosed properties, the proceeds of resale will be distributed by the City in accordance with Section 34.06 of the Texas Property Tax Code, as amended.
- f. If the buyer requests a title policy, the buyer shall select the title company, provide any required closing documents, pay all costs associated with closing and arrange for the closing on the property.
- g. The title company will file the Special Warranty Deed, and any Release of Lien, in the Deed Records of Collin County.
- h. If no title company is involved, the buyer is responsible for filing the Special Warranty Deed and any Release of Lien in the Deed Records of Collin County within sixty (60) days after purchase.
- i. The taxing entities will delete any balances remaining on tax accounts.

▪ **Disposal of Properties Suitable for Affordable Housing**

Property owned by the City of McKinney, deemed to be surplus property and suitable to be included in the Affordable Housing Program, may be sold at a negotiable discount to qualified nonprofit developers and affordable housing developers in the following way:

- 1. Each affordable housing developer, nonprofit and for-profit, wanting to purchase land will submit a *Proposal for Affordable Housing Development* to the Housing and Community Development department. This document includes the following information:
  - a. A plan to develop the land as affordable housing for low-to-moderate income individuals or families in compliance with all applicable City ordinances and state and federal laws.



- b. A timetable showing the commencement of construction, completion construction, and occupancy of affordable housing on the land by low-to-moderate income individuals or families.
  - c. Identification and sources of the necessary project financing.
  - d. Evidence that the requestor is not delinquent in payment of taxes on any other properties in Collin County.
2. Applications meeting all requirements will be forwarded to the McKinney Housing Finance Corporation (MHFC) for review. If the requestor does not meet all requirements or the proposed development is not accepted, the requestor will be notified in writing. This notice will include the reason for rejection. If the application is approved by the MHFC, the application will be forwarded to City Council for final approval.
  3. If approved by the MHFC, the requestor's proposal will be routed to all involved taxing units for review.
  4. If approved by taxing units, the proposal will go before City Council for adoption by Resolution. If the proposal is adopted by Resolution, the requestor will submit a cashier's check for the proposed amount payable to the Gay, McCall, Issacks, and Roberts, P.C.
  5. Conveyance will be by Special Warranty deed, to be executed by the appointed representative of each taxing entity. The Special Warranty Deed will contain:
    - a. A copy or summary of the proposal from the developing organization and a requirement that the property be developed by the organization in accordance with the proposal, including the timetable specified therein.
    - b. Reference to state-mandated redemption periods according to state law.
    - c. Deed restrictions requiring the purchaser to:
      - 1.Restrict the sales price of the housing unit to be affordable to low-to-moderate income individuals and families per HUD Guidelines.
      - 2.Restrict the monthly cost of rental units to the guidelines set yearly by HUD

## Definitions

### 1. Qualified Non-Profit Builder:

- A non-profit organization that develops housing for low income individuals and families as it's primary activity to promote community-based revitalization of the municipality;
- A non-profit corporation described by 26 U.S.C. Section 501(c)(3) that:
  - has been incorporated in this state for at least one year;
  - has a corporate purpose to develop affordable housing that is stated in its articles of incorporation, bylaws, or charter;
  - has at least one-fourth of its board of directors residing in the municipality;and





- engages primarily in the building, repair, rental, or sale of housing for low income individuals and families; or
- A religious organization that:
  - owns other property located in the municipality that is exempt from taxation under Section 11.20 Tax Code; and
  - has entered into written agreement with the municipality regarding the revitalization of land.

2. Low-to-Moderate-Income Individuals and Families:

An individual or family whose annual income does not exceed 80 percent of the average median family income (AMFI) for the area adjusted for family size (AMFI), as determined and annually updated by U.S. Department of Housing and Urban Development.

3. Properties:

Properties within the corporate limits of the City of McKinney that have been acquired by the City and are considered surplus, or that have been acquired by the City or other taxing unit pursuant to Chapters 33 and 34 of the Texas Property Tax Code, as amended.

4. Affordable Housing:

- Owner occupied housing that:
  - is sold or resold to a low-to-moderate-income family; and
  - has a purchase price and an estimated appraised value at acquisition that does not exceed HOME Homeownership Value Limits established and published annually by U.S. Department of Housing and Urban Development in Section 92.254(a)(2)(iii) of the Final Rule, as amended; or
- Renter occupied housing for which housing expenses do not exceed U.S. Department of Housing and Urban Development fair market rents, as defined in Part 888, Title 24 of the code of Federal Regulation, as amended.

5. Market Value:

The appraised value of the property according to the most recent appraisal roll approved by the Appraisal Review Board or the appraised value by an independent appraisal conducted within the last 6 months.

## REFERENCE

**Section 34.015** of the Texas Property Tax Code allows land acquired by a municipality following the foreclosure of a tax lien in favor of the municipality or the seizure of the land under Subchapter E, Chapter 33 to be sold if the land is sold to:

- 1) a nonprofit organization that develops housing for low income individuals and families as a primary activity to promote community-based revitalization of the municipality;
- 2) a nonprofit corporation described by 26 U.S.C. Section 501(c)(3) that:

- (A) has been incorporated in this state for at least one year;
- (B) has a corporate purpose to develop affordable housing that is stated in its articles of incorporation, bylaws, or charter;
- (C) has at least one-fourth of its board of directors residing in the municipality; and
- (D) engages primarily in the building, repair, rental, or sale of housing for low income individuals and families; or

3) a religious organization that:

(A) owns other property located in the municipality that is exempt from taxation under Section 11.20; and

(B) has entered into a written agreement with the municipality regarding the revitalization of the land.

## Definitions

### 1. Qualified Non-Profit Organization:

- A non-profit organization that develops housing for low income individuals and families as it's primary activity to promote community-based revitalization of the municipality;
- A non profit corporation described by 26 U.S.C. Section 501(c)(3) that:
  - has been incorporated in this state for at least one year;
  - has a corporate purpose to develop affordable housing that is stated in its articles of incorporation, bylaws, or charter;
  - has at least one-fourth of its board of directors residing in the municipality; and
  - engages primarily in the building, repair, rental, or sale of housing for low income individuals and families; or
- A religious organization that:
  - owns other property located in the municipality that is exempt from taxation under Section 11.20 Tax Code; and
  - has entered into written agreement with the municipality regarding the revitalization of land.

### 2. Low and Moderate-Income Individuals and Families

An individual or family whose annual income does not exceed 80 percent of the area median income, with adjustments for the family size, as determined and annually updated by U.S. Department of Housing and Urban Development.

### 3. Properties:

Properties within the corporate limits of the City of McKinney that have been acquired by the City and are considered surplus, or that have been acquired by the City or other taxing unit pursuant to Chapters 33 and 34 of the Texas Property Tax Code, as amended.

### 5. Affordable Housing:

Owner occupied housing that:

- is sold or resold to a low or moderate income family; and
  - has a purchase price and an estimated appraised value at acquisition that does not exceed 95 percent of the median purchase price for the area based on Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing and published annually by U.S. Department of Housing and Urban Development in Part 203, Title 24 of the Code of Federal Regulations, as amended; or
- Renter occupied housing for which housing expenses do not exceed U.S. Department of Housing and Urban Development fair market rents, as defined in Part 888, Title 24 of the code of Federal Regulation, as amended.

**6. Market Value:**

The appraised value of the property according to the most recent appraisal roll approved by the Appraisal Review Board or the appraised value by a certified independent appraisal conducted within the last 6 months.

