



CITY OF EAST PALO ALTO BELOW MARKET RATE HOUSING PROGRAM

WHAT IS THE CITY OF EAST PALO ALTO BELOW MARKET RATE PROGRAM?

The City of East Palo Alto Below Market Rate (BMR) Housing Program is a program designed to create and retain a healthy stock of affordable housing in East Palo Alto for low and moderate income households, with the goal of maintaining an economically integrated community. Developers of new housing are required to put a portion of the new homes into the BMR program. These BMR units are single family homes, condominiums, townhouses or apartments that are sold or rented at below market rate, "affordable" prices. BMR units are located in projects across the City of East Palo Alto.

Affordable ownership, and rental costs are calculated so that they don't exceed thirty percent (30%) of the maximum annual household income. For ownership housing, this assumes a down payment equal to ten percent (10%) of the total purchase price, a number of utilities and other allowances, (i.e. property taxes, loan insurance, etc.) and a conventional fixed-rate thirty-year fully amortizing loan in the amount of the difference between the purchase price and the down payment. BMR units must be owner-occupied and are subject to special rent and resale restrictions.

Rental BMR units are managed by the property management of the apartment complex they are in. This includes the tenant selection process. Property management must assure the City, by means of an annual report, that rents for BMR units are maintained at an affordable level that is indexed to changes in the area's median household income rather than to market rents.

PURCHASING BMR UNITS: GENERAL INFORMATION

The City is currently in the process of re-establishing the 2019 Inclusionary Housing Ordinance which had become obsolete due to changes in state law and related court cases. So far, in October 2020 the City adopted the Inclusionary Housing Guidelines, which describe developer obligations, pricing of for-sale units, and household eligibility criteria.

However, by way of example to explain the general nature of the BMR Program, under the 2019 ordinance, when a development of five or more for-sale residential units was built in the City of East Palo Alto, the developer was required to offer at least 20 percent (20%) of those units for sale at below market prices. The price of the units was regulated by the ordinance, and varied by the typology of the project. The price was set to be affordable to buyers at or below a particular household income.

BMR UNITS OCCUPANCY REQUIREMENTS

BMR units must be owner-occupied. BMR units may not be rented or leased without written permission from the City of East Palo Alto. Permission to rent is only granted under special circumstances that advance goals of the BMR program.

RESALE OF BMR UNITS

If a BMR owner desires to sell a BMR unit, the unit must be sold through the BMR Program to another BMR-qualified purchaser. The final resale price of the unit will vary depending on a number of variables, mainly the change in the San Mateo County median income from the time that the property was purchased, and the physical condition of the unit. Because changes in the San Mateo County median income normally adjust at a slower rate than the appreciation in the value of market-rate housing units, the equity in BMR properties grows at a substantially slower pace than market-rate units

AVAILABILITY

There are currently just over 600 homes in the City's ownership BMR program. Typically, all are occupied. Two or three of them come up for sale each year, on average. Once adopted, the new Inclusionary Housing Ordinance will specify the buyer-selection method in detail.

The City has contracted with the local non-profit, EPACANDO, to administer the City's ownership BMR program. Prospective BMR buyers, as well as BMR homeowners seeking assistance with refinancing, resale, or other matters should contact bmr@epacando.org, or visit www.epacando.org/bmr.

Any available units will be listed on the EPACANDO website as above. There will then be a six-week open enrollment period, during which time prospective buyers may apply to be included in a lottery pool of eligible buyers.

For more information, go to www.epacando.org/bmr, where you can sign up on an "interest list" to get email about available units.