



# Affordable Housing Incentive Zoning Policy Procedures Manual

Town Council Adopted  
\_\_\_\_\_, 2022

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## **1.0 Introduction and Goals**

### ***Introduction***

Town Council (Council) authorized direction through the adopted Town of Apex (Town) Affordable Housing Plan (AHP) to establish an Affordable Housing Incentive Zoning Policy (Policy) that would set forth clear minimum recommendation criteria, applicability standards, and a menu of incentive options for applicants (i.e. property owner, property developer, authorized organization or representative on behalf of development) to consider in exchange for providing residential affordable housing units or lots within a development as part of the rezoning and Planned Unit Development (PUD) approval process. Incentive zoning policies encourage applicants to provide a public service, such as residential affordable housing units or lots, as part of a proposed development, in exchange for incentives.

### ***Goals***

While this Policy does not require applicants to construct residential affordable housing units or lots within a development or contribute a certain dollar amount to the Town's Affordable Housing Fund (AHF), the Policy goals include:

- Provide a clear process and understanding of the Town's minimum recommended applicability standards to prospective applicants who may consider utilizing this Policy as well as Town staff;
- Add residential affordable housing units or lots to the Town's affordable housing portfolio versus collecting a financial contribution to the Town's AHF; and
- Offset potential market-rate development revenue loss for constructing newly created residential affordable housing units or lots through the use of incentives.

This Policy reflects the Town's minimum recommendation levels as far as on-site affordable housing unit or lot thresholds and Area Median Income (AMI) percentage categories. The Affordable Housing Incentive Zoning Policy Procedures Manual (Procedures Manual) details the Town's minimum recommendations and applicability standards for residential affordable housing units or lots generated through this Policy. The criteria in this Procedures Manual must be interpreted in conjunction with the Town's Unified Development Ordinance (UDO). A separate manual, called the Affordable Housing Incentive Zoning Policy Administration Manual (Administration Manual) details specific procedures for the on-going administration of residential affordable housing units or lots generated through this Policy.

## 2.0 Affordable Housing Incentive Zoning Applicability

### 2.1 Zoning Districts

This Policy is applicable within zoning districts that allow residential and mixed-use development per Sec. 4.2.2 of the UDO.

### 2.2 Rezoning Application Summary Review Process and Schedules

This Policy provides incentive options for applicants to consider in exchange for providing residential affordable housing units or lots on-site within a development through the rezoning and PUD approval process. A summary of the review process and schedules for Rezoning and PUD applications can be found at <http://www.apexnc.org/215/Applications-Schedules>.

### 2.3 Affordable Housing Income Categories, Housing Tenure and AMI Percentages

This policy is applicable to the following affordable housing income categories and AMI percentages per housing tenure type for both affordable housing ownership and rental units as shown in Table 1 below.

**Table 1–Affordable Housing Income Categories, Housing Tenure and AMI Percentages**

<b>Affordable Housing Income Category</b>	<b>Housing Tenure Type</b>	<b>*Maximum AMI Percentages (%)</b>
Extremely Low-Income	Rental	**Up to 30% AMI
Very Low-Income	Rental	**Up to 50% AMI
Low-Income	Rental	**Up to 70% AMI
Low-Income	Ownership	**Up to 80% AMI
Median-Income	Ownership	**Up to 100% AMI
Workforce-Income	Ownership	**Up to 110% AMI

\*Based on U.S. Department of Housing and Urban Development (HUD) Raleigh, NC Metropolitan Statistical Area (MSA) Area Median Income (AMI) published income limits.

\*\*Based on affordable housing rental and ownership Area Median Income (AMI) analysis.<sup>1</sup>

<sup>1</sup> The Town is considered a high cost area, as the Town’s market-rate rents and median home sales prices are higher than most jurisdictions within Wake County. An affordable housing rental and ownership Area Median Income (AMI) analysis was performed utilizing the following: (1) neighboring jurisdictions within Wake County, (2) HUD industry standards, (3) non-profit affordable housing providers, (4) market-rate-income analysis, (5) market-rate rent analysis and (6) market-rate ownership analysis. As a result, the empirical data showed that up to seventy-percent (70%) of AMI was supported for residential affordable housing rental units and up to one-hundred and ten-percent (110%) of AMI was supported for residential affordable housing ownership units.

## 2.4 Development Unit and Rezoning Application Affordable Housing Documentation Thresholds

Applicants who propose residential and mixed-use developments of twenty (20) or more units or lots are recommended to provide a minimum of five-percent (5%) of the total number of units or lots as affordable housing units or lots on-site and must submit an Affordable Housing Proposal (AHP) and Marketing Plan (MP) concurrently with the rezoning application. Applicants who propose to provide residential affordable housing rental units on-site, must also submit a Property Management Plan (PMP) along with their AHP and MP concurrently with the rezoning application. Any residential or mixed-use development that proposes to provide on-site affordable housing units or lots must submit an AHP, MP and PMP (only applicable for affordable housing rental units) with their rezoning application. Table 2 below summarizes the minimum recommended Policy development unit and rezoning application affordable housing documentation submittal thresholds.

**Table 2- Development Unit and Affordable Housing Documentation Thresholds**

<b>Development Unit Threshold</b>	<b>Affordable Housing Component</b>	<b>Minimum Affordable Housing On-Site Percentage (%)</b>	<b>Rezoning Application Affordable Housing Ownership Documentation</b>	<b>Rezoning Application Affordable Housing Rental Documentation</b>
20+ Units/Lots	On-Site Units/Lots	*5% Units/Lots	Affordable Housing Proposal and Marketing Plan	Affordable Housing Proposal, Marketing Plan and Property Management Plan

\*See footnote below.<sup>2</sup>

## 2.5 Affordable Housing Ownership On-Site Percentage, Income Categories and AMI Percentages

When an applicant proposes on-site residential affordable housing ownership units or lots within a development, the minimum recommended on-site residential affordable housing unit percentage, income categories and AMI percentages are shown below in Table 3.

**Table 3– Ownership On-Site Percentage, Income Categories and AMI Percentages**

<b>Minimum Affordable Housing Ownership On-Site Percentage (%)</b>	<b>AMI Percentages (%) and Income Categories</b>
5% Units/Lots	<p><u>Any Combination</u></p> <p>*Up to 80% AMI (Low-Income)</p> <p>*Up to 100% AMI (Median-Income)</p> <p>*Up to 110% AMI (Workforce-Income)</p>

\*Based on U.S. Department of Housing and Urban Development (HUD) Raleigh, NC Metropolitan Statistical Area (MSA) Area Median Income (AMI) published income limits.

<sup>2</sup> An affordable housing on-site unit percentage analysis was performed utilizing the following data: (1) Town rezoning applications from 2018 to 2021, (2) regional Density Bonus Ordinances and (3) regional Inclusionary Housing Ordinances. As a result, the empirical data showed that a minimum of five percent (5%) on-site for affordable housing units or lots was supported.

## 2.6 Affordable Housing Rental On-Site Percentage, Income Categories and AMI Percentages

When an applicant proposes on-site residential affordable housing rental units within a development, the minimum recommended on-site residential affordable housing unit percentage, income categories and AMI percentages are shown below in Table 4.

**Table 4–Rental On-Site Percentage, Income Categories and AMI Percentages**

<b>Minimum Affordable Housing Rental On-Site Percentage</b>	<b>AMI Percentages (%) and Income Categories</b>
5% Units	<p style="text-align: center;"><u>Any Combination</u></p> <p>*Up to 30% AMI (Extremely Low-Income)            *Up to 50% AMI (Very Low-Income)            *Up to 70% AMI (Low-Income)</p>

\*Based on U.S. Department of Housing and Urban Development (HUD) Raleigh, NC Metropolitan Statistical Area (MSA) Area Median Income (AMI) published income limits.

## 2.7 Affordable Housing Ownership and Rental On-Site Percentages, Income Categories and AMI Percentages

When an applicant proposes a combination of on-site residential affordable housing ownership units or lots and rental housing units within a development, the minimum recommended residential affordable housing on-site unit or lot percentages, income categories and AMI percentages are shown below in Table 5.

**Table 5- Ownership and Rental On-Site Percentages, Income Categories and AMI Percentages**

<b>Minimum Affordable Housing On-Site Percentage (%)</b>	<b>AMI Percentages (%) and Income Categories</b>
2.5% (Ownership – Units/Lots)	<p style="text-align: center;"><u>Any Combination</u></p> <p>*Up to 80% AMI (Low-Income)            *Up to 100% AMI (Median-Income)            *Up to 110% AMI (Workforce-Income)</p>
2.5% (Rental – Units)	<p style="text-align: center;"><u>Any Combination</u></p> <p>*Up to 30% AMI (Extremely Low-Income)            *Up to 50% AMI (Very Low-Income)            *Up to 70% AMI (Low-Income)</p>

\*Based on U.S. Department of Housing and Urban Development (HUD) Raleigh, NC Metropolitan Statistical Area (MSA) Area Median Income (AMI) published income limits.

## 2.8 Ownership Development Example

Table 6 below illustrates an example of the minimum recommended on-site residential affordable housing ownership unit or lot percentage, number of residential affordable housing ownership units or lots, income categories and AMI percentages based on various sizes of ownership development.

**Table 6- Ownership Development Example**

<b>Total Development Ownership Units/Lots</b>	<b>Minimum Affordable Housing On-Site Percentage (%)</b>	<b>Total Market-Rate Ownership Units/Lots</b>	<b>Total Affordable Housing Ownership Units/Lots</b>	<b>AMI Percentages (%) and Income Categories</b>
150	5%	142	*8	<u>Any Combination</u> ***Up to 80% AMI (Low-Income) ***Up to 100% AMI (Median-Income) ***Up to 110% AMI (Workforce-Income)
100	5%	95	5	<u>Any Combination</u> ***Up to 80% AMI (Low-Income) ***Up to 100% AMI (Median-Income) ***Up to 110% AMI (Workforce-Income)
50	5%	47	**3	<u>Any Combination</u> ***Up to 80% AMI (Low-Income) ***Up to 100% AMI (Median-Income) ***Up to 110% AMI (Workforce-Income)

\*7.5 units, rounded up to 8 units

\*\*2.5 units, rounded up to 3 units

\*\*\*Based on U.S. Department of Housing and Urban Development (HUD) Raleigh, NC Metropolitan Statistical Area (MSA) Area Median Income (AMI) published income limits.

**2.9 Rental Development Example**

Table 7 below illustrates an example of the minimum recommended on-site residential affordable housing rental unit percentage, number of residential affordable housing rental units, income categories and AMI percentages based on various sizes of rental development.

**Table 7- Rental Development Example**

<b>Total Development Rental Units</b>	<b>Minimum Affordable Housing On-Site Percentage (%)</b>	<b>Total Market-Rate Rental Units</b>	<b>Total Affordable Housing Rental Units</b>	<b>AMI Percentages (%) and Income Categories</b>
150	5%	142	*8	<u>Any Combination</u> ***Up to 30% AMI (Extremely Low-Income) ***Up to 50% AMI (Very Low-Income) ***Up to 70% AMI (Low-Income)
100	5%	95	5	<u>Any Combination</u> ***Up to 30% AMI (Extremely Low-Income) ***Up to 50% AMI (Very Low-Income) ***Up to 70% AMI (Low-Income)

50	5%	47	**3	<u>Any Combination</u> ***Up to 30% AMI (Extremely Low-Income) ***Up to 50% AMI (Very Low-Income) ***Up to 70% AMI (Low-Income)
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\*7.5 units, rounded up to 8 units

\*\*2.5 units, rounded up to 3 units

\*\*\*Based on U.S. Department of Housing and Urban Development (HUD) Raleigh, NC Metropolitan Statistical Area (MSA) Area Median Income (AMI) published income limits.

### 2.10 Ownership and Rental Development Example

Table 8 below illustrates an example of the minimum recommended on-site residential affordable housing ownership and rental percentages, number of residential affordable housing ownership units or lots and rental housing units, income categories and AMI percentages based on various sizes of development that includes both residential affordable housing ownership units or lots and rental housing units.

**Table 8- Ownership and Rental Development Example**

Total Development Ownership/Rental Units/Lots	Minimum Affordable Housing On-Site Unit Percentage (%)	Total Market-Rate Ownership/Rental Units/Lots	Total Affordable Ownership/Rental Units/Lots	AMI Percentages (%) and Income Categories
150	2.5% (O) 2.5% (R)	142	*4 (O) *4 (R)	<u>Any Combination</u> ***(O) - 80% AMI ***(O) - 100% AMI ***(O) - 110% AMI  ***(R) - 30% AMI ***(R) - 50% AMI ***(R) - 70% AMI
100	2.5% (O) 2.5% (R)	94	**3 (O) **3 (R)	<u>Any Combination</u> ***(O) - 80% AMI ***(O) - 100% AMI ***(O) - 110% AMI  ***(R) - 30% AMI ***(R) - 50% AMI ***(R) - 70% AMI
50	2.5% (O) 2.5% (R)	48	1 (O) 1 (R)	<u>Any Combination</u> ***(O) - 80% AMI ***(O) - 100% AMI ***(O) - 110% AMI  ***(R) - 30% AMI ***(R) - 50% AMI ***(R) - 70% AMI

\*3.75 units, rounded up to 4 units

\*\*2.5 units, rounded up to 3 units

\*\*\*Based on U.S. Department of Housing and Urban Development (HUD) Raleigh, NC Metropolitan Statistical Area (MSA) Area Median Income (AMI) published income limits.

(O) = Affordable Ownership Units

(R) = Affordable Rental Units

### ***2.11 Affordable Housing Fractional Units***

When computations for the number of on-site residential affordable housing units or lots result in fractional units, the applicability shall be as shown in Table 9. After the fractional number of on-site residential affordable housing units or lots has been correctly calculated, the balance of development units or lots will be the residential market-rate units or lots as shown in the examples of Tables 6, 7 and 8.

***Table 9- Affordable Housing Fractional Units***

<b>Fraction</b>	<b>Applicability</b>
0.00 – 0.49	No Additional Affordable Housing Unit or Lot
0.50 – 0.99	Round Up & Provide Additional Affordable Housing Unit or Lot

### ***2.12 Affordable Housing Proposal, Marketing Plan and Property Management Plan Process***

#### ***Step 1: Pre-application Meeting***

This is the first step of the rezoning and PUD process, as the applicant will have an opportunity to meet with Town plan review staff and receive feedback regarding the proposed development. In addition, this will be an opportunity for Town plan review staff to inform the developer about the Town’s minimum Policy recommendations including the AHP, MP and PMP. The PMP is only applicable for applicants proposing on-site residential affordable housing rental units.

#### ***Step 2: Housing Meeting***

The next step in the process would be for the applicant to meet with Town housing staff to go over the affordable housing criteria in more detail for the proposed development which includes the AHP, MP and PMP. This step will assist the applicant with the information needed for drafting and submitting the AHP, MP and PMP concurrently with the rezoning application for Town staff to review and comment.

#### ***Step 3: Affordable Housing Proposal, Marketing Plan and Property Management Plan Submittal***

At this next stage of the process, the applicant will submit an AHP, MP and PMP concurrently with the rezoning application describing how the applicant proposes to address the affordable housing component of the proposed development against the Town’s minimum Policy recommendations. The AHP, MP and PMP should, at a minimum, identify the specific affordable housing criteria the applicant

is proposing for the development, such as:

- a. List of requested Policy incentives;
- b. Total number of development units or lots;
- c. Total number of market-rate units or lots;
- d. Total number and percentage of affordable housing units or lots;
- e. Market-rate and affordable unit sizes and lot sizes;
- f. Market-rate and affordable unit bedroom sizes;
- g. Affordable unit sales prices or lot pricing;
- h. Affordable unit rent prices;
- i. Affordable unit AMI percentage income categories;
- j. Market-rate and affordable unit type;
- k. Market-rate and affordable unit tenure type;
- l. Affordability term;
- m. Construction schedule and timeline for both market-rate and affordable units;
- n. Marketing strategy, applicant intake and selection process for affordable units;
- o. Property management standards for affordable units; and
- p. Financial pro-forma.

Town staff will then review the AHP, MP and PMP and provide comments to the applicant in order to revise the AHP, MP and PMP, if necessary. This process will continue until the applicant's AHP, MP and PMP has been finalized by Town staff.

#### ***Step 4: Affordable Housing Zoning Condition***

Once the AHP, MP and PMP has been finalized, the applicant will have the necessary information needed to draft the affordable housing zoning condition for Town staff to review and comment. Town staff will then review the applicants proposed affordable housing zoning condition and work with the applicant to revise the condition, if necessary. This process will continue until the applicant's affordable housing zoning condition has been deemed satisfactory by Town staff. The next step is to take the rezoning application which will include the proposed affordable housing zoning condition before the Planning Board and Council for consideration.

#### ***Step 5: Affordable Housing Restrictive Covenant***

Once the rezoning application which includes the affordable housing zoning condition has been approved by the Council, the applicant and Town staff will work with the Town's Legal Department to execute and record a restrictive covenant to memorialize the affordable housing terms and conditions against the property or lots prior to Site Plan Final Plat or Master Subdivision Final Plat approval.

#### ***2.13 Affordable Housing Unit Design Recommendations***

- A. Residential affordable housing units should be comparable to market-rate units in terms of unit type, number of bedrooms per unit, consistency in building materials, and overall quality of construction.
- B. Residential affordable housing lot sizes and number of bedrooms may be less than the market-rate housing units.

- C. Residential affordable housing units should be durable, of good quality and consistent with current building code standards for new construction housing.

## ***2.14 Affordable Housing Ownership Income Limits, Ownership Housing Costs and Initial Sales Prices***

### **Affordable Housing Ownership Units**

#### Affordable Housing Ownership Income Limits

“Affordable Housing Low-Income Ownership Income Limits” means those households whose annual income, does not exceed eighty-percent (80%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

“Affordable Housing Median-Income Ownership Income Limits” means those households whose annual income, does not exceed one-hundred percent (100%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

“Affordable Housing Workforce-Income Ownership Income Limits” means those households whose annual income, does not exceed one-hundred and ten-percent (110%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

#### Affordable Housing

“Affordable Housing” means housing on which the occupant is paying no more than thirty-percent (30%) of gross monthly household income for housing costs, including utilities.

#### Affordable Housing Ownership Housing Costs

Affordable housing as defined above provides a baseline definition on how much a household can spend as a percentage of their gross household income for housing. However, affordable housing has several distinct affordable income categories and AMI percentages based on industry standards and best practices. Thus, a more specific calculation is utilized to define affordable housing ownership housing costs for low-income, median-income and workforce-income households as described below.

“Affordable Housing Low-Income Ownership Housing Costs” means a reasonable down payment and an average monthly housing cost during the first calendar year of occupancy, including utilities, mortgage loan principal and interest, mortgage insurance, property taxes and property assessments, homeowner’s insurance, homeowner’s association dues, if any, and all other dues and fees assessed as a condition of property ownership, which does not exceed thirty-percent (30%) of eighty-percent (80%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD). Area Median Income (AMI) shall be adjusted for assumed household size based on unit size as follows: one person in a studio unit, two persons in a one-bedroom unit, three persons in a two-bedroom unit, four persons in a three-bedroom unit, five persons in a four-bedroom unit and six persons in a five-bedroom unit.

“Affordable Housing Median-income Ownership Housing Costs” means a reasonable down payment and an average monthly housing cost during the first calendar year of occupancy, including utilities, mortgage loan principal and interest, mortgage insurance, property taxes and property assessments,

homeowner's insurance, homeowner's association dues, if any, and all other dues and fees assessed as a condition of property ownership, which does not exceed thirty-percent (30%) of one-hundred percent (100%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD). Area Median Income (AMI) shall be adjusted for assumed household size based on unit size as follows: one person in a studio unit, two persons in a one-bedroom unit, three persons in a two-bedroom unit, four persons in a three-bedroom unit, five persons in a four-bedroom unit and six persons in a five-bedroom unit.

"Affordable Housing Workforce-income Ownership Housing Costs" means a reasonable down payment and an average monthly housing cost during the first calendar year of occupancy, including utilities, mortgage loan principal and interest, mortgage insurance, property taxes and property assessments, homeowner's insurance, homeowner's association dues, if any, and all other dues and fees assessed as a condition of property ownership, which does not exceed thirty-percent (30%) of one-hundred and ten-percent (110%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD). Area Median Income (AMI) shall be adjusted for assumed household size based on unit size as follows: one person in a studio unit, two persons in a one-bedroom unit, three persons in a two-bedroom unit, four persons in a three-bedroom unit, five persons in a four-bedroom unit and six persons in a five-bedroom unit.

#### Area Median Income

"Area Median Income" means the annual median family income for the Raleigh, NC Metropolitan Statistical Area (MSA), adjusted for family size, as defined and published by the U.S. Department of Housing and Urban Development (HUD).

#### Maximum Affordable Housing Ownership Housing Costs

The following steps below outline how the maximum affordable housing ownership housing costs are calculated.

- a. Determine the annual AMI, based on the most recently published HUD Raleigh, NC MSA income limits, for a household size that is one person more than the number of bedrooms in the affordable housing ownership unit;
- b. Obtain the maximum annual affordable housing ownership housing costs by multiplying the following:
  - Thirty-percent (30%) times eighty-percent (80%) of AMI for low-income for a household size that is one person more than the number of bedrooms in the affordable housing low-income ownership unit, or
  - Thirty-percent (30%) times one-hundred percent (100%) of AMI for median-income for a household size that is one person more than the number of bedrooms in the affordable housing low-income ownership unit, or
  - Thirty-percent (30%) times one-hundred and ten-percent (110%) of AMI for workforce-income for a household size that is one person more than the number of bedrooms in the affordable housing low-income ownership unit.
- c. Obtain the maximum monthly affordable housing ownership housing costs by dividing the maximum annual affordable housing ownership housing costs by twelve (12).

Table 10 below provides an example of how to calculate the maximum affordable housing ownership housing costs for low-income, median-income and workforce-income.

**Table 10- Maximum Affordable Housing Ownership Housing Costs**

AMI %	Unit Bedroom Size	Assumed Household Size	Annual AMI Income Limit per Household Size	Calculation	Maximum Monthly Affordable Housing Costs
80% Low-Income	3	4	\$95,700	$0.3 \times 0.8 \times \$95,700$ = \$22,938/yr. divided by 12 = \$1,914/mo.	\$1,914
100% Median-Income	3	4	\$95,700	$0.3 \times 1.0 \times \$95,700$ = \$28,710/yr. divided by 12 = \$2,393/mo.	\$2,393
110% Workforce-Income	3	4	\$95,700	$0.3 \times 1.10 \times \$95,700$ = \$31,581/yr. divided by 12 = \$2,632/mo.	\$2,632

Affordable Housing Ownership Initial Sales Price

The affordable housing ownership initial sales price will be based off of the household’s maximum affordable housing ownership housing costs as described above. In order to determine the maximum affordable housing ownership initial sales prices, certain housing costs assumptions must be considered. The following affordable housing ownership housing costs are assumed when calculating the maximum affordable housing ownership initial sales price.

Affordable Housing Ownership Initial Sales Price Assumptions

- a. Five-percent (5.0%) down payment of the affordable housing ownership initial sales price;
- b. First mortgage loan amount will be calculated at a ninety-five percent (95.0%) loan-to-value (LTV) ratio of the affordable housing ownership initial sales price;
- a. Thirty (30) year fully amortized principal and interest (P&I) fixed-rate primary home mortgage interest rate will be based off a half percent (0.5%) higher interest rate than Fannie Mae’s most recently published single family thirty (30) year fixed rate, sixty (60) day rate lock;
- c. Mortgage insurance at a half percent (0.50%) of first mortgage loan amount;
- d. Property taxes at one-percent (1.0%) of the affordable housing ownership initial sales price;
- e. Homeowner’s insurance at a quarter percent (0.25%) of the affordable housing ownership initial sales price;
- f. Utilities (i.e. water, sewer, garbage, gas and electricity) at one-hundred and fifty dollars (\$150) per month;
- g. Homeowner’s Association (HOA) fees (if applicable); and
- h. Other property assessments (if applicable).

Exhibit A – Affordable Housing Ownership Initial Sales Prices also provides additional details on how

affordable housing ownership sales prices are calculated.

The total monthly affordable housing ownership initial sales price housing costs cannot exceed the maximum monthly affordable housing ownership housing costs as described above. The Town does not provide residential mortgage financing to prospective affordable housing purchasers to buy a residential affordable housing low-income ownership unit and defers the specifics of the financing structure and requirements to a North Carolina licensed residential lending institution.

An applicant may include residential affordable housing ownership units or lots (i.e. selling or donating lots, construction partnerships, etc.) through other state, federal, or local affordable housing programs such as Habitat for Humanity, community land trust, or other construction partnerships. When residential affordable housing ownership units are proposed to be developed through other state, federal, or local affordable housing programs or other construction partnerships, the Town will work with all entities involved on the specific regulatory requirements of those programs or partnerships for the residential affordable housing ownership units within the development. If an applicant is proposing to satisfy the minimum Policy recommendation of five percent (5%) on-site for residential affordable housing ownership units through other affordable housing programs or construction partnerships, rather than constructing the units itself, a formal written agreement must be in place between the entities involved, prior to Site Plan Final Plat or Master Subdivision Final Plat approval. The specifics of the proposal should also be included in the applicant’s AHP and MP as part of the rezoning application process.

**2.15 Affordable Housing Ownership Initial Sales Price Credit**

If an applicant is proposing to construct the affordable housing ownership units itself, rather than selling or donating the lots to another entity (i.e. Habitat for Humanity, community land trust, etc.), in order for the applicant to receive credit toward the minimum Policy recommendation of five percent (5%) on-site for residential affordable housing ownership units within a development, the affordable housing ownership initial sales price (includes unit and lot price) must be at least ten percent (10%) below the market-rate initial sales price/appraised value (includes unit and lot price) for the specific residential affordable housing ownership unit based on bedroom size and affordable AMI percentage category (up to 80% AMI – Low-Income, up to 100% AMI – Median-Income and up to 110% AMI – Workforce-Income). Table 11 below shows examples of different scenarios of when an applicant will or will not receive credit toward the minimum Policy recommendation of five percent (5%) on-site for residential affordable housing ownership units.

**Table 11– Affordable Housing Ownership Unit Credit**

<b>Bedroom Size</b>	<b>AMI %</b>	<b>Market-Rate Initial Sales Price (Unit &amp; Lot)</b>	<b>Affordable Housing Initial Sales Price (Unit &amp; Lot)</b>	<b>Affordable Housing Initial Sales Price Percentage (%) Below Market-Rate Initial Sales Price (Min. 10%)</b>	<b>Affordable Housing Unit Credit</b>
2	80% - Low	\$300,000	\$270,000	10%	Yes

3	80% - Low	\$325,000	\$308,750	5%	No
3	100% - Median	\$350,000	\$308,000	12%	Yes
4	100% - Median	\$375,000	\$345,000	8%	No
3	110% - Workforce	\$400,000	\$356,000	11%	Yes
4	110% - Workforce	\$425,000	\$386,750	9%	No

## ***2.16 Affordable Housing Income Limits, Rent Limits and Rent Costs for Rental Units***

### **Affordable Housing Rental Units**

#### Affordable Housing Rent Income Limits

“Affordable Housing Extremely Low-Income Rent Income Limit” means those households whose annual income, does not exceed thirty-percent (30%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

“Affordable Housing Very Low-Income Rent Income Limit” means those households whose annual income, does not exceed fifty-percent (50%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

“Affordable Housing Low-Income Rent Income Limit” means those households whose annual income, does not exceed seventy-percent (70%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

#### Affordable Housing

“Affordable Housing” means housing on which the occupant is paying no more than thirty-percent (30%) of gross monthly household income for housing costs, including utilities.

#### Affordable Housing Rent Housing Costs

Affordable housing as defined above provides a baseline definition on how much a household can spend as a percentage of their gross household income for housing. However, affordable housing has several distinct affordable income categories and AMI percentages based on industry standards and best practices. Thus, a more specific calculation is utilized to define affordable housing rent housing costs for extremely low-income, very low-income and low-income households as described below.

“Affordable Housing Extremely Low-Income Rent Housing Costs” means a monthly rent, including utilities in the form of a utility allowance which does not exceed thirty-percent (30%) of thirty-percent (30%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh,

NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD). Area Median Income (AMI) shall be adjusted for assumed household size based on unit size as follows: one person in a studio unit, two persons in a one-bedroom unit, three persons in a two-bedroom unit, four persons in a three-bedroom unit, five persons in a four-bedroom unit and six persons in a five-bedroom unit.

“Affordable Housing Very Low-Income Rent Housing Costs” means a monthly rent, including utilities in the form of a utility allowance which does not exceed thirty-percent (30%) of fifty-percent (50%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD). Area Median Income (AMI) shall be adjusted for assumed household size based on unit size as follows: one person in a studio unit, two persons in a one-bedroom unit, three persons in a two-bedroom unit, four persons in a three-bedroom unit, five persons in a four-bedroom unit and six persons in a five-bedroom unit.

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#### Affordable Housing Rent Limits

“Affordable Housing Extremely Low-Income Rent Limit” means the affordable housing rent limits as published by the North Carolina Housing Finance Agency (NCHFA) Low-Income Housing Tax Credit (LIHTC) Multifamily Tax Subsidy Program (MTSP) for Raleigh, NC Metropolitan Statistical Area (MSA) which includes Wake County not to exceed thirty-percent (30%) Area Median Income (AMI) category based on unit size.

“Affordable Housing Very Low-Income Rent Limit” means the affordable housing rent limits as published by the North Carolina Housing Finance Agency (NCHFA) Low-Income Housing Tax Credit (LIHTC) Multifamily Tax Subsidy Program (MTSP) for Raleigh, NC Metropolitan Statistical Area (MSA) which includes Wake County not to exceed fifty-percent (50%) Area Median Income (AMI) category based on unit size.

“Affordable Housing Low-Income Rent Limit” means the affordable housing rent limits as published by the North Carolina Housing Finance Agency (NCHFA) Low-Income Housing Tax Credit (LIHTC) Multifamily Tax Subsidy Program (MTSP) for Raleigh, NC Metropolitan Statistical Area (MSA) which includes Wake County not to exceed seventy-percent (70%) Area Median Income (AMI) category based on unit size.

“Utility Allowance” means utility allowances and utility allowance schedule as published by the U.S. Department of Housing and Urban Development (HUD) and Wake County Housing Authority.

Utility allowances (if applicable) shall be deducted from the maximum monthly affordable rents for those utilities paid by the tenant(s).

An applicant may include residential affordable housing rental units through other state, federal or local affordable housing programs such as the Section 8 Housing Choice Voucher Program or similar programs or other construction partnerships. When residential affordable housing rental units are proposed to be included through other state, federal or local affordable housing programs or construction partnerships, the Town will work with all entities involved on the specific regulatory requirements of those programs or partnerships for the residential affordable housing rental units within the development. If an applicant is proposing to satisfy the minimum Policy recommendation of five percent (5%) on-site for the residential affordable housing rental units through other affordable housing programs or construction partnerships, a formal written agreement should be in place between the entities involved, prior to Site Plan Final Plat or Master Subdivision Final Plat approval. The specifics of the proposal should also be included in the applicant's AHP, MP and PMP as part of the rezoning application process.

### ***2.17 Terms of Affordability***

The minimum recommended affordability term is twenty (20) years for both affordable ownership and rental housing units or lots. Residential affordable housing units or lots may be subject to an additional recorded restrictive covenant either placed by the applicant or Town that requires the units be occupied at sales prices or rents that are affordable to extremely low-income, very low-income, low-income, median-income or workforce-income households for a period of time. Recorded restrictive covenants shall run with the land and will remain in effect for subsequent buyers and owners. Final affordability terms and conditions will be included in the following: (1) zoning condition as approved by Council, and (2) memorialized in a recorded restrictive covenant against the property and/or individual lots.

### ***2.18 Affordable Housing Restrictive Covenant between Town and Applicant***

For applicants that propose on-site residential affordable housing units or lots, prior to Site Plan Final Plat or Master Subdivision Final Plat approval, a restrictive covenant between the Town and applicant should be fully executed and recorded against the property or lots. The recorded restrictive covenant should describe how the development will address the minimum Policy recommendations.

- A. The recorded restrictive covenant should at a minimum identify the specific criteria the applicant is proposing for the project, such as:
  - a. Total number of development units or lots;
  - b. Total number of market-rate units or lots;
  - c. Percentage and total number of affordable housing units or lots;
  - d. Affordable housing unit bedroom sizes;
  - e. Affordable housing unit AMI percentages;
  - f. Market-rate and affordable unit type;
  - g. Market-rate and affordable unit tenure; and
  - h. Affordability term.
- B. Provisions described in the approved AHP, MP and PMP.
- C. Resale mechanisms;
- D. If applicable, a relocation plan for tenants of affordable housing units upon sale of units or redevelopment of site;

- E. Other reasonable provisions to implement this Policy; and
- F. The Town may retain the services of a consultant or outside legal counsel to review the restrictive covenant prior to recordation at the applicant's expense.

### **3.0 Alternatives to Policy Recommendations**

All applicant proposals that differ from the minimum Policy recommendations described in this Procedures Manual will be considered alternative proposals. If alternatives are proposed, the applicant in the AHP should specify if the alternatives are less than, equivalent to, or greater than the minimum Policy recommendations. The Council may approve, conditionally approve, or deny any proposal including an alternative proposal. The Town may retain the services of a consultant or outside legal counsel at the applicant's expense to review the reasonableness of the alternative proposal including the AHP.

### **4.0 Town Incentives**

An applicant may request one or more of the following incentives listed below through the rezoning application process. The applicant's proposed residential affordable housing on-site unit or lot percentage should be correlated with the amount of incentives requested. An applicant is not precluded from requesting one or more incentives if proposing an alternative proposal (i.e. different on-site residential affordable housing unit or lot percentage, different AMI percentage category, etc.), that differs from the Town's minimum Policy recommendation of five percent (5%) of the total residential development units or lots as residential affordable housing units or lots.

#### ***Higher Density Zoning District***

An applicant may apply for a zoning district that allows more housing types and density than otherwise indicated in the 2045 Land Use Map in an attempt to increase overall project density in order to support the provision of affordable housing.

#### ***Density Bonus***

Under review for consideration.

#### ***Development Standards***

Zoning conditions to provide adjustments to the development standards listed below may be considered in order to support the provision of affordable housing. In all cases, the type and amount of incentive proposed will be reviewed in conjunction with the 2045 Land Use Plan, including the Context Areas Map, and the character of the surrounding area.

- A. Increased maximum building height
- B. Reduced building setbacks
- C. Reduced lot widths

D. Reduction Resource Conservation Area (RCA): The maximum reduction that can be requested is 10%.

***Parking Reductions***

Additional information to follow.

***Expedited Processing***

Additional information to follow.

***Fee Reimbursements, Grants and Waivers***

The Town may choose to reimburse, grant or waive certain development fees in order to help offset some of the total development costs for providing residential affordable housing units or lots.

***Financial Assistance***

The Town may choose to provide a loan or grant to assist with creating a greater percentage of residential affordable housing units or lots, increase the length of the affordability term or generate deeper affordability of residential affordable housing units or lots within a development.

***Transportation***

For PUD – Conditional Zoning applications located in the Rural Context Area, the Town may choose to waive the requirement in Section 2.3.4.F.1.a.iv of the UDO requiring construction of sidewalks on both sides of residential streets. In these cases, sidewalks must be provided on at least one side of all residential streets. Section 7.5.4.C of the UDO, requiring pedestrian facilities on both sides of all collector streets and thoroughfares, would not be waived.

**5.0 Authority**

The Town Manager or designee is authorized to sign all documents on behalf of the Town that implement this Policy.

## Exhibit A – Affordable Housing Ownership Initial Sales Prices

### ASSUMED HOUSEHOLD SIZE

Unit Size	0 Bedroom (Efficiency/ Studio)	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5+ Bedroom
Number of Persons	1	2	3	4	5	1 additional person for each additional bedroom

### AFFORDABLE HOUSING OWNERSHIP INCOME LIMITS

#### Low-Income (80% AMI)

“Affordable Housing Low-Income Ownership Income Limits” means those households whose annual income, does not exceed eighty-percent (80%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

#### Median-Income (100% AMI)

“Affordable Housing Median-Income Ownership Income Limits” means those households whose annual income does not exceed one-hundred percent (100%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

#### Workforce-Income (110% AMI)

“Affordable Housing Workforce-Income Ownership Income Limits” means those households whose annual income does not exceed one-hundred and ten-percent (110%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

### AFFORDABLE HOUSING OWNERSHIP HOUSING COSTS

#### Low-Income (80% AMI)

“Affordable Housing Low-Income Ownership Housing Costs” means a reasonable down payment and an average monthly housing cost during the first calendar year of occupancy, including utilities, mortgage loan principal and interest, mortgage insurance, property taxes and property assessments, homeowner’s insurance, homeowner’s association dues, if any, and all other dues and fees assessed as a condition of property ownership, which does not exceed thirty-percent (30%) of eighty-percent (80%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD). Area Median Income (AMI) shall be adjusted for assumed household size based on unit size as follows: one person in a studio unit, two persons in a one-bedroom unit, three persons in a two-bedroom unit, four persons in a three-bedroom unit, five persons in a four-bedroom unit and six persons in a five-bedroom unit.

Median-Income (100% AMI)

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**AFFORDABLE HOUSING OWNERSHIP INITIAL SALES PRICE ASSUMPTIONS**

Homeowners' Insurance	0.25% of Affordable Housing Ownership Initial Sales Price
Homeowners' Association Dues (HOA)	Project Specific (if applicable)
Private Mortgage Insurance (PMI)	0.5% of First Mortgage Loan Amount
Property Taxes	1.00% of Affordable Housing Ownership Initial Sales Price
Loan Terms	30 yr. Fixed-Rate Mortgage, Fully Amortized Principal + Interest Loan First Mortgage Fannie Mae (FNMA) Interest Rate Percentage (.50% higher than 60-day rate lock)
Down Payment	5.0% of Affordable Housing Ownership Initial Sales Price
Utilities (i.e. water, sewer, garbage, gas and electricity)	\$150/mo.
Other Property Assessments	Project Specific (if applicable)

## **Exhibit B – Procedures Manual Definitions**

“Affordable Housing” means housing on which the occupant is paying no more than thirty-percent (30%) of gross monthly household income for housing costs, including utilities.

“Affordable Housing Extremely Low-Income Rent Income Limit” means those households whose annual income does not exceed thirty-percent (30%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

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“Affordable Housing Workforce-Income Ownership Income Limits” means those households whose annual income does not exceed one-hundred and ten-percent (110%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD).

“Affordable Housing Low-Income Ownership Housing Costs” means a reasonable down payment and an average monthly housing cost during the first calendar year of occupancy, including utilities, mortgage loan principal and interest, mortgage insurance, property taxes and property assessments, homeowner’s insurance, homeowner’s association dues, if any, and all other dues and fees assessed as a condition of property ownership, which does not exceed thirty-percent (30%) of eighty-percent (80%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD). Area Median Income (AMI) shall be adjusted for assumed household size based on unit size as follows: one person in a studio unit, two persons in a one-bedroom unit, three persons in a two-bedroom unit, four persons in a three-bedroom unit, five persons in a four-bedroom unit and six persons in a five-bedroom unit.

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as a condition of property ownership, which does not exceed thirty-percent (30%) of one-hundred percent (100%) of the Area Median Income (AMI), adjusted for family size, applicable to the Raleigh, NC Metropolitan Statistical Area (MSA) as published by the U.S. Department of Housing and Urban Development (HUD). Area Median Income (AMI) shall be adjusted for assumed household size based on unit size as follows: one person in a studio unit, two persons in a one-bedroom unit, three persons in a two-bedroom unit, four persons in a three-bedroom unit, five persons in a four-bedroom unit and six persons in a five-bedroom unit.

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"Area Median Income" means the annual median family income for the Raleigh, NC Metropolitan Statistical Area (MSA), adjusted for family size, as defined and published by the U.S. Department of Housing and Urban Development (HUD).

“Affordable Housing Incentive Zoning Policy” means a set of minimum Town recommendations, applicability standards and incentive options for applicants to consider in exchange for providing residential affordable housing units or lots within a development as part of the rezoning and Planned Unit Development (PUD) approval process.

“Affordable Housing Incentive Zoning Policy Administration Manual” means a manual which details policies and procedures for the on-going administration of residential affordable housing units or lots generated through the Affordable Housing Incentive Zoning Policy.

“Affordable Housing Proposal” means a document submitted by an applicant as part of the rezoning application for the development which stipulates the affordable housing criteria as specified in the Affordable Housing Incentive Zoning Policy Procedures Manual for the residential affordable housing units or lots in order to assure compliance with the Affordable Housing Incentive Zoning Policy.

“Affordable Housing Incentive Zoning Procedural Manual” means a manual which details applicability and procedures for residential affordable housing units or lots generated through the Affordable Housing Incentive Zoning Policy.

“Affordable Housing Unit” means a residential dwelling unit or lot that meets the definition of a residential affordable housing unit or lot as detailed in the Affordable Housing Incentive Zoning Policy Procedures Manual and Affordable Housing Incentive Zoning Policy Administration Manual through the Affordable Housing Incentive Zoning Policy.

“For-Sale Residential Development” means any residential development or portion of a residential development that involves the creation of one or more additional dwelling units or lots that may be lawfully sold individually.

“HUD” means the U.S. Department of Housing and Urban Development.

“Marketing Plan” means a document submitted by an applicant as part of the rezoning application for the development which stipulates the marketing criteria, application intake, application screening and application selection process for the residential affordable housing units or lots within the development in order to assure compliance with the Affordable Housing Incentive Zoning Policy.

“Maximum Allowable Affordable Housing Ownership Sales Price” means the highest dollar amount at which a residential affordable housing ownership unit may be sold.

“Maximum Allowable Affordable Housing Rent Level” means the highest dollar amount at which a residential affordable housing rental unit may be rented.

“Mixed-Use Residential Development” means any development that contains both residential and non-residential uses.

“Period of Affordability” means the time specified in the recorded restrictive covenant for which the required number or percentage of residential affordable housing units or lots must be preserved.

“Property Management Plan” means a document submitted by an applicant as part of the rezoning application for the development which stipulates the property management and project compliance criteria for the residential affordable housing rental units within the development in order to assure compliance with the Affordable Housing Incentive Zoning Policy.

“Rental Residential Development” means any residential development or portion of a residential development that creates one or more dwelling units that cannot lawfully be sold individually.

“Planned Unit Development” means the zoning district established in Sec. 3.3.3.C of the UDO. This district allows for variations in development standards in order to provide a type of development that is not possible through strict application of the Ordinance.

“Restrictive Covenant” means a legal document imposing a restriction on the use of land so that the affordability terms and conditions as agreed upon by the applicant in the Town Council approved zoning condition are memorialized for the residential affordable housing units or lots.

“Utility Allowance” means utility allowances and utility allowance schedule as published by the U.S. Department of Housing and Urban Development (HUD) and Wake County Housing Authority.