



University Neighborhood Overlay

Guide to Affordability, Income Determination, Rents, Compliance and Monitoring

Effective Date: February 24, 2014

The purpose of this document is to provide an overview of the University Neighborhood Overlay (UNO) Income Determination, Compliance and Monitoring for projects developed under the UNO Ordinance in the West Campus area.

The City of Austin's Neighborhood Housing and Community Development department monitors all properties with an affordable housing requirement for the duration of the affordability term.

Questions about securing Letters of Affordability and Restrictive Covenants may be directed to Javier V. Delgado at 512-974-3154 or javier.delgado@austintexas.gov.

Questions about the UNO monitoring processes and procedures may be directed to Susan Kinel at 512-974-3110 or susan.kinel@austintexas.gov.

University Neighborhood Overlay Ordinance

Per the UNO Amendments adopted on February 24, 2014 through [Ordinance No. 20140213-056](#):

1. Any UNO project submitting a development application after February 24, 2014 will be subject to the amended UNO regulations and requirements.
2. Any UNO project development that was operating, under construction, or had a development application under review prior to February 24, 2014 may operate under the original UNO regulations or elect to “opt-in” to the amended UNO regulations. All UNO developments subject to or “opting-in” to the new regulations will be issued Letter of Affordability and a restrictive covenant that will be filed on the property for the duration of the affordability period, which will summarize the affordability requirements of the development.

Original UNO regulations	Amended UNO regulations – Opt-in (operating, under construction or review prior to February 24, 2014)	Amended UNO regulations – New Projects (submitted for review after February 24, 2014)
Pertains to dwelling unit only	Pertains to bedrooms	Pertains to bedrooms or units
15-year Affordability Term	For remainder of their term*.	40-year Affordability Term
10% of total dwelling units must be affordable and on-site serving households at 80% MFI or below and ; An additional 10 % of total dwelling units must be affordable on-site serving households at 65% MFI or below or pay a fee-in-lieu.	10% of total bedrooms must be affordable on-site serving households at 60% MFI or below and ; An additional 10% of total bedrooms must be affordable on-site serving households at 50% MFI or below or pay a fee-in-lieu.	10% of total bedrooms or units must be affordable on-site serving households at 60% MFI or below and ; An additional 10% of total bedrooms or units must be affordable on-site serving households at 50% MFI or below or pay a fee-in-lieu.

**Remainder of term will be contingent upon previous years of compliance.*

Pre-development and Development Guidelines

Letters of Affordability & Restrictive Covenants

All UNO developments submitting a development application after February 24, 2014 or “opting-in” to the new regulations will be issued a new Letter of Affordability, which will summarize the affordability requirements of the development. The restrictive covenant signed by the City and the developer will summarize the following:

- Which of the three UNO program variations applies to the project;
- MFI requirements for eligible tenants;
- The number of units;
- Affordability term requirement (based on number of compliant years); and
- Date of Certificate of Occupancy

Please note that the new developments must declare that rental will be by the “bedroom” or the “unit” prior to the Letter of Affordability being issued.

Development Process

1. Pre-development meeting and review through the Planning and Development Review Department;
2. Submit request for Neighborhood Housing and Community Development (NHCD) to review all documents for projects accessing a density bonus;
3. NHCD issues the preliminary letter of affordability which will summarize all affordability requirements for your project (signed by both property owner and NHCD Director);
4. Maintain communication with NHCD and notify staff of any changes that might affect the affordability requirements; and
5. Prior to issuance of the final certificate of a restrictive covenant must be filed with the Travis County Clerk.

Monitoring for Compliance

A determination of compliance is subject to:

- 1) Verification of Eligible Households**
- 2) Implementation of Rent Limits**

1. **Eligible Households:** Households are defined as the total number of residents who occupy a unit or bedroom on an ongoing basis. Household annual income may not exceed the percent of the median family income (MFI) established in the UNO ordinance and in the Restrictive Covenant that will summarize the affordability requirements for your property.

The income limit is based on a percentage of the Austin Area Median Family Income (MFI). The MFI limits are determined and published annually by the United States Department of Housing and Urban Development Department (HUD). The current HUD chart may be obtained at: www.austintexas.gov/housing. It is the responsibility of the property owners and managers to be aware of the MFI limits in effect at the time a lease is signed. Eligibility must be determined prior to signing each new or renewal lease.

Median Family Income

Example 2014 HUD issued Income Limits for the Austin-Round-San Marcos Rock MSA (effective 06/1/2015):

Median Family Income	1 Person Household	2 Person Household	3 Person Household
80%	\$43,050	\$40,200	\$55,350
65%	\$34,950	\$39,950	\$44,950
60%	\$32,250	\$36,850	\$41,450
50%	\$26,900	\$30,750	\$34,600

- A. **Calculating Income:** Income is determined by the Gross Annual Income and is calculated using the full amount of income, before any payroll deductions, from all sources. Tuition-related payments must be reported, but will not be counted as student income.

- B. Documentation and Verification of Income for Rental Housing:** It is the responsibility of the property owner or manager to collect and maintain on-site, in the resident file, the documentation necessary to determine income eligibility of the proposed resident. Use of Neighborhood Housing & Community Development Department's Income Determination Forms is required. All sources of regular continuing income for all adult household members must be documented. Currently, we have two options available to determine a resident's income:

OPTION 1: Financial Aid Statement Verification Process

Students who have been awarded a certain type of need-based financial aid (per list provided to the City of Austin by The University of Texas Financial Aid Office) shall automatically be determined to be income eligible to qualify for an affordable UNO unit or bedroom. Documentation of the award must support this determination. No additional income documentation is required for this option. The need-based financial aid list is updated annually.

When pre-leasing for future semesters, eligibility will be determined based on the most current documentation available from the university at the time the lease is signed. For students who have previously never received financial aid, future need-based financial aid may be used.

OPTION 2: Standard Income Verification Process

This process involves collecting documentation from an applicant to determine their income. The verification of includes employment income, other income, percentage of parental financial support, and amount of Student Financial Aid awarded.

- a. Acceptable sources of documentation of employment income include:
- i. Two months of most immediate past paycheck stubs from within the last ninety (90) days just prior to signing the lease;
 - ii. Letter from Employer may be used if a resident will be a new employee who will then be required to follow up with the next two months' worth of paycheck stubs; or *
 - iii. Previous year's W-2(s) (if less than six (6) months old), a signed copy of the income tax return or IRS transcript for each adult household member along with the "Affidavit of Unemployment" if the potential resident has been unemployed since filing.
 - iv. For individuals who are self-employed: Individuals who are self-employed must submit six (6) consecutive months' worth of personal bank statements. Each bank statement must include the name of the applicant/reside, name of the banking establishment, the reporting period and all pages. These statements will be used to document income in combination with other documentation, as needed.

* Employment Income amounts indicated by documentation should be multiplied by the appropriate factor to determine gross annual income (e.g. hourly wage x 2080, weekly wages x 52, or bi-weekly wage x 26). In the event that a specific earning wage is not available, income may be determined by averaging the gross income indicated on each paycheck stub (e.g. 3 paycheck stubs total divided by 3) and then multiplying by the appropriate factor (weekly, bi-weekly, monthly, etc.)

- b. Additional documentation may be needed to verify other income sources, if applicable:
 - i. Award letters for Social Security Income (SSI), Social Security Disability Income (SSDI) or similar periodic payments;
 - ii. Statements for pension, retirement and/or investment distribution(s);
 - iii. Proof that alimony or child support payments are being received;
 - iv. Bank statements, if required to determine eligibility.
 - c. Acceptable documentation for student financial aid include:
 - i. Attach financial aid award letter(s) indicating which loans/grants were accepted; and
 - ii. Any combination of the previously referenced acceptable forms of documentation.
 - d. Regular Contributions (formerly known as “parental support”) may not exceed thirty percent (30%) of total gross income.
2. **Rent Limits:** Rent Limits are the maximum rents that can be charged for a unit of bedroom based on the UNO program variation that will govern the development.

A. Existing projects or projects submitted for review with the Planning and Development Review Department prior to February 24, 2014 can choose to continue renting by the UNIT method may charge up to 28% of the Median Family Income set annually by HUD and posted on the Neighborhood Housing and Community Development website.

Example maximum rents based on the HUD issued Income Limits for the Austin-Round-San Marcos Rock MSA as of 06-01-2015:

Median Family Income	1 Person Household	2 Person Household	3 Person Household
80%	\$1,005	\$1,148	\$1,292
65%	\$816	\$932	\$1,049
60%	\$753	\$860	\$967
50%	\$628	\$718	\$807

B. Existing projects or projects submitted for review prior to February 24, 2014 will have the ability to “opt-in” to the “by the bedroom” rental method. The applicants still must be income qualified (by Standard Income verification process or by Financial Aid Process):

Median Family Income	1 Person Household- “Single Occupancy”	2 Person Household- “Double Occupancy” (double occupancy is calculated by multiplying the single occupancy rate by 55%)
* 60%	Not to exceed the HIGH HOME Rent Limit for one bedroom as published by TDHCA. Example: Rent for one person in one bedroom (HIGH rent) would be \$834	*Example: Rent for two people (max amount of residents in one bedroom) would be \$459 per person (\$834 x 55%). <u>The income of both applicants would be combined to assure they are under the MFI limit for a two-person household.</u>
50%	Not to exceed the 40% MFI HOME Rent Limit for an efficiency as published by TDHCA. Example: Per the attached rent for one person in one bedroom would be \$576.	*Example: Rent for two people (max amount of residents in one bedroom) would be \$317 per person (\$576 x 55%). <u>The incomes of both applicants would be combined to ensure they are under the MFI limit for a two-person household.</u>

*Examples are using limits as of 06-01-15. The limits are adjusted annually by HUD.

Please be aware that “opt-in” developments will be issued a new Letter of Affordability and a restrictive covenant binding the development to the bedroom option for the remainder of the affordability term.

C. Projects submitted for review on February 24, 2014 and thereafter (New Projects).
 The applicants still must be income qualified (by Standard Income verification process or by Financial Aid Process):

Median Family Income	1 Person Household- “Single Occupancy”	2 Person Household- “Double Occupancy” (double occupancy is calculated by multiplying the single occupancy rate by 55%)
60%	Not to exceed the LOW HOME Rent Limit for one bedroom as published by TDHCA. *Example: Rent for one person in one bedroom (LOW HOME) would be \$720	*Example: Rent for two people (max amount of residents in one bedroom) would be \$396 per person (\$720 x 55%). <u>The income of both applicants would be combined to assure they are under the MFI limit for a two-person household.</u>
50%	Not to exceed the 40% MFI HOME Rent Limit for an efficiency as published by TDHCA. *Example: Per the attached rent for one person in one bedroom would be \$576.	*Example: Rent for two people (max amount of residents in one bedroom) would be \$317 per person (\$576 x 55%). <u>The incomes of both applicants would be combined to assure they are under the MFI limit for a two-person household.</u> *Examples are using limits as of 06-01-15. The limits are adjusted annually by HUD.

Recertification: Recertification of a resident’s income eligibility is required upon execution of each lease renewal, even if less than a one year lease. Residents must complete new Income Verification Worksheet(s) for recertification.

On-going Qualified Unit and Resident: A unit or bedroom occupied by an eligible resident will continue to be counted as occupied by a qualified resident until it is determined that the unit or bedroom annual income exceeds 140 percent (140%) of the current applicable MFI limit. If, upon annual recertification, the unit or bedroom income is determined to exceed 140% of the applicable MFI limit, the unit or bedroom is no longer considered a qualified UNO unit or bedroom and the owner must make the next unit or bedroom available to be occupied by another income-eligible household.

Monitoring: Once a property has achieved 98 percent (98%) occupancy of the agreed to number of affordable units or bedrooms, the project will be monitored at least annually after the initial lease-up period, to ensure continuing compliance with UNO requirements. **NHCD reserves the right to examine all income eligibility records and reserves the right to request additional, supplemental documentation to determine eligibility. There may be instances where documentation may not be sufficient to determine income. In these cases, eligibility will be determined on a case by case basis.**

Term of Affordability: Existing Projects or “Opt In” projects: Fifteen (15) years from the date the final certificate of occupancy is issued. Be aware that the Neighborhood Housing & Community Development will review records to verify fifteen (15) years of compliance.

Developments established after February 24, 2014: Forty (40) years from the date of issuance of Certificate of Occupancy. Be aware that the Neighborhood Housing & Community Development Department will review records to verify forty (40) years of compliance.

A project will be released from the affordability obligation after compliance has been achieved for the number of years in the term.

These guidelines will remain in effect until further notice.