



# City of Austin

## University Neighborhood Overlay

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

Effective Date: October 1, 2015

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. Please note that income and rent limits guidelines for all other developer incentive or density bonus developments may be found in a separate document entitled "Developer Incentive and Agreements Guide to Income Determination, Rents, Compliance and Monitoring."

The guides may be located on the NHCD website under Program Guidelines and Documents:  
<http://austintexas.gov/page/development-incentives-and-agreements>

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

Questions regarding UNO may be directed to NHCD at 512-974-3100.

## University Neighborhood Overlay Ordinance

Per the UNO Amendments effective on February 25, 2014 through [Ordinance No. 20140213-056](#):

1. Any UNO project submitting a development application after February 25, 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 25, 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 requires executing a restrictive covenant prior to receipt of Certificate of Occupancy 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 25, 2014)	Amended UNO regulations – New Projects (submitted for review after February 25, 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 <b>80%</b> MFI or below <b>and</b> ; An additional 10 % of total dwelling units must be affordable on-site serving households at <b>65%</b> MFI or below or pay a fee-in-lieu.	10% of total bedrooms must be affordable on-site serving households at <b>60%</b> MFI or below <b>and</b> ; If applicable, an additional 10% of total bedrooms must be affordable on-site serving households at <b>50%</b> MFI or below.	10% of total bedrooms <b>or</b> units must be affordable on-site serving households at <b>60%</b> MFI or below <b>and</b> ; An additional 10% of total bedrooms or units must be affordable on-site serving households at <b>50%</b> MFI or below or pay a fee-in-lieu.

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

**PLEASE NOTE:**

- IF opting into by-the-bedroom and a fee-in-lieu was previously paid, there will not be another fee-in-lieu.
- IF opting into by-the-bedroom, and currently have the second level of affordability, (meaning a fee-in-lieu was NOT previously paid) the project will continue to have the second level of affordability at the opt-in level of 50% MFI.
  - There is no option to pay the fee-in-lieu at the time you opt in.

## **Pre-development**

### **Letters of Affordability & Restrictive Covenants**

All UNO housing development projects that trigger an affordability requirement will be issued a Letter of Affordability, which will summarize the affordability requirements of the development. Projects submitting a development application on or after February 25, 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 project will also be required to have a Restrictive Covenant executed and recorded by the City and the developer prior to issuance of the final certificate of occupancy. The Restrictive Covenant will include the following elements:

- Which of the three UNO program variations applies to the project;
- The Median Family Income (MFI) requirements for eligible tenants;
- The number of units;
- The 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.

## 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. The Restrictive Covenant summarizes the affordability requirements for the property, including the number of units, income limits, and the length of time the units must remain affordable.

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](http://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 2015 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
<b>80%</b>	\$43,050	\$40,200	\$55,350
<b>65%</b>	\$34,950	\$39,950	\$44,950
<b>60%</b>	\$32,250	\$36,850	\$41,450
<b>50%</b>	\$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 from all sources and before any payroll deductions. 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 the documentation necessary to determine income eligibility of the proposed resident. The documentation must be kept in the resident file and the file must be on-site. 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 an applicant'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 to students 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 a 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 the household income. The verification of income 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 or bedroom based on the MFI limit stipulated in 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 25, 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.

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

**Existing projects or projects submitted for review prior to February 25, 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):

<b>Median Family Income</b>	<b>1 Person Household- “Single Occupancy”</b>	<b>2 Person Household- “Double Occupancy”</b> (Double occupancy is calculated by multiplying the single occupancy rate by 55%)
<b>* 60%</b>	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>
<b>50%</b>	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 \$538.	*Example: Rent for two people (max amount of residents in one bedroom) would be \$296 per person (\$538 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>

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

**B. Projects submitted for review on February 25, 2014 and thereafter (New Projects).**  
 This chart is applicable to projects electing to rent by the bedroom or by the unit. The applicants still must be income qualified (by Standard Income verification process or by Financial Aid Process):

Median Family Income	<b>1 Person Household- “Single Occupancy”</b>	<b>2 Person Household- “Double Occupancy”</b> (double occupancy is calculated by multiplying the single occupancy rate by 55%)
<b>60%</b>	<p>Not to exceed the LOW HOME Rent Limit for one bedroom as published by TDHCA.</p> <p>*Example: Rent for one person in one bedroom (LOW HOME) would be \$720</p>	<p>*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></p>
<b>50%</b>	<p>Not to exceed the 40% MFI HOME Rent Limit for an efficiency as published by TDHCA.</p> <p>*Example: Per the attached rent for one person in one bedroom would be \$538.</p>	<p>*Example: Rent for two people (max amount of residents in one bedroom) would be \$296 per person (\$538 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></p> <p><b>*Examples are using limits as of 06-01-15. The limits are adjusted annually by HUD.</b></p>

**Certification Forms:** Use of the City of Austin certification forms is required. All documentation to support the eligibility determination must be placed behind each certification.

**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:** The project will be monitored initially within twelve (12) months from the date of the certificate of occupancy. After the initial lease-up period, the project will be monitored at least annually to ensure continuing compliance with UNO requirements. Monitoring may take the form of a desk review or on-site review.

**NHCD reserves the right to examine all income eligibility records and reserves the right to request additional, supplemental documentation to determine eligibility.**

**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 on or after February 25, 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.**