

STAFF REPORT

DATE: November 30, 2010

TO: City Council

FROM: Tom Callinan, Housing Program Coordinator
Elvia Garcia-Ayala, Community Services Director

SUBJECT: Amendment to the City of Davis Buyer/Tenant Section and Screening Guidelines for Affordable Housing Units

Recommendation

Adopt the resolution in Attachment 1 amending the City of Davis Buyer/Tenant Selection and Screening Guidelines to add provisions for income qualifying adult dependents in affordable rental and ownership housing.

Fiscal Impact

No direct fiscal impact. Staff time used to monitor for compliance is accommodated for in the current budget of the City's Housing Coordination Program, primarily paid for through Redevelopment Housing Set-aside Administration funds. Compensation for NeighborWorks HomeOwnership Center, Sacramento Region (NeighborWorks), the City's administrative contractor of the Right of First Refusal resale program, is paid by the seller of an affordable unit through a 1% commission of the affordable sales price for units sold under the City's Right of First Refusal.

Council Goal

Actions in this staff report support the goal of Community Strength and Effectiveness, specifically working to support the guiding principle of "Establish and maintain an inventory of permanently affordable housing units." The proposed clarification being recommended would ensure consistency of how adult dependent individuals are income-qualified for affordable housing, leading to increased fairness and assurance of qualification.

Summary

The proposed amendment to the City of Davis Buyer/Tenant Selection and Screening Guidelines would establish a uniform method for income certifying adult dependents, a process which is carried out by developers (or their designee), property management and the City's administrative contractor of the Right of First Refusal resale program, NeighborWorks. The proposed amendment would provide property managers, developers, and NeighborWorks a uniform step-by-step procedure for income qualifying adult dependents. The proposed two-step process is drafted to be straight forward so as to avoid a cumbersome procedure for property management and applicants.

The goal is to strike a balance between providing housing assistance to those in need, including adult dependents, and ensuring that the City has adequate standards to accomplish this. Disqualifying adult dependents from higher-income households will ensure that the affordable housing target population, low-income households, have a greater opportunity to obtain housing, including adult dependents claimed by low-income families.

Background and Analysis

In February of 2005 the City Council adopted an updated version of the Affordable Housing Ordinance and the corresponding City of Davis Buyer/Tenant Selection and Screening Guidelines. The proposed process of income certifying adult dependents would be an addendum to the existing Buyer/Tenant Selection and Screening Guidelines (Attachment 2).

During the City's 2009-2010 monitoring of affordable rental housing, staff noted concerns with the method of income qualification being used at one of the affordable rental properties. The project in question did not take dependency status into account. This is a concern because households of dependent students supported entirely by their parents were occupying affordable units without sufficient documentation of whether the students, as adult dependents, were being claimed by low-income households. Without adequate means of income qualification, adult dependents that are supported by higher income households might impact the limited number of affordable units in the City, making it difficult for low-income households to obtain affordable housing. The proposed two-step process is meant to address these concerns.

The City's affordable housing program currently allows adult dependents to qualify for affordable units with required review of the claimant household's income and assets. However, the method by which this review is done varies from project to project since the City does not have written guidelines for income qualifying adult dependents. The proposed guidelines provide a uniform written process for certifying adult dependents who would only qualify for affordable housing if they are being supported by a low-income household.

Adult Dependents

"Adult dependents" are people who are 18 years or older who are claimed on another person's income tax returns. An exception in tax law allows full-time students, ages 18 through 23, to be claimed as dependents if they receive over half of their support from the claimant, regardless of whether the student lives at home. Another exception in tax law allows persons 24 and over who have annual income below \$3,600 and who are receiving most of their support from the claimant, to be claimed as dependents. The method of income qualification proposed herein applies to adult dependents not living with the claimant.

Adult dependents are difficult to income qualify, when they live away from home, because they are distinctly connected to two different households. They are financially tied to a claimant household who receives a tax benefit for supporting the adult dependent, while residing with another household. This is problematic because income certifications for affordable housing are done on a household by household basis. As a rule, the income and assets of all household members are added together to determine the gross annual income of the household. A household's gross annual income, adjusted for household size, determines eligibility for

affordable housing. The challenge is reconciling two household incomes and two household sizes for a single applicant.

There does not seem to be an easy or seamless way to income-qualify two families together at the same time without devising a whole new method for income qualifying adult dependents. This is the reason for proposing a two step approach. Staff is proposing to use the standard income certification process to income qualify the claimant household and the adult dependent household separately. Both households would be required to qualify for the adult dependent to qualify.

Dependency status is a factor when determining eligibility for affordable housing because household finances are integral to the income qualification process. Dependents receive at least half of their income from the claimant; so for financial purposes, an adult dependent is still a member of the claimant household.

Dependency status is not a protected class under fair housing law. Even so, staff is not recommending limits against adult dependents in affordable housing. On the contrary, the proposed two-step process is a mechanism to income-qualify adult dependents and would only inhibit people supported by high-income households from qualifying. While the proposed process can identify adult dependents that are being claimed by other households, it will not change how independent adults are qualified for affordable housing, even if they are receiving financial support from family members.

Full-time Students

Many of the adult dependents in Davis are full-time college students living away from home. Historically, the City has allowed students access to affordable housing and continues to do so pursuant to General Plan Policy: “HOUSING 1.6 *Include students from low-income families within the target population for affordable housing opportunities.*”

Contributions towards tuition and books generally do not count as income when qualifying for affordable housing. Therefore, a student can receive a considerable amount of support before exceeding any given income category (see Table A below). The proposed qualification process would reduce the overall number of adult dependents that would be eligible for subsidized housing in Davis due to the resources available to them from their claimant household.

Staff notes that the Financial Application for Student Financial Aid (FAFSFA) does not base eligibility for assistance on dependency status, but instead accounts for all household income regardless of actual assistance. Staff also notes that some Federal affordable housing programs prohibit full time student households from qualifying for affordable housing at all. However, using dependency status as the basis for the proposed qualification process aligns with General Plan Policies and Goals because it allows low-income students to qualify. Under the proposed guidelines, students would continue to have access to affordable housing opportunities regardless of dependency status.

Affordable Housing Standards

The following table shows current income categories used to qualify for affordable housing, adjusted for household size:

Table A – 2010 Income Limits for Yolo County

Income Category	Number of Persons in Household							
	1	2	3	4	5	6	7	8
30% of AMI	15,250	17,400	19,600	21,750	23,500	25,250	27,000	28,750
50% of AMI	25,400	29,000	32,650	36,250	39,150	42,050	44,950	47,850
80% of AMI	40,600	46,400	52,200	58,000	62,650	67,300	71,950	76,600
100% of AMI	50,750	58,000	65,250	72,500	78,300	84,100	89,900	95,700
120% of AMI	60,900	69,600	78,300	87,000	93,950	100,900	107,900	114,850

The first three categories (30%, 50% and 80%) are income categories typically used to establish eligibility and rent limits for affordable rental units. The last two categories (100% and 120%) are income levels generally used to establish eligibility and maximum prices for affordable ownership units.

Affordable rental housing communities often have several funding sources, each with their own separate set of requirements. The City’s affordable housing requirements are generally more lenient than Federal and State requirements. Many affordable housing properties in Davis disqualify households consisting entirely of full-time students due to the requirements of the project’s funding sources, such as tax credits. Tax credit properties would not be as significantly affected by the adoption of these guidelines because property management would follow the more rigorous tax credit regulations. However, according to conversations with property managers, tax credit properties do not distinguish adult dependents for the purposes of income qualification. A significant amount of overlap between students and adult dependents exists. So for tax credit properties, the proposal would only impact adult dependents who are not students but who are living away from home.

Privately owned projects do not have as many secondary funding sources that limit unit occupancy. This puts the City’s requirements foremost for privately owned developments that do not have more rigorous standards to adhere to. The proposed method for income certifying adult dependents will have a greater influence on these privately owned complexes which represent about half of the affordable rental units in Davis, or about 800 of the 1600 total units. This rough estimate is greater than affordable units that can serve students, as it includes housing for persons with disabilities and other special needs projects that would accommodate adult dependents.

Affordable Ownership Housing

Staff is proposing to also apply the two-step certification process to affordable ownership housing. Included in the 2005 updates to the Affordable Housing Ordinance were stipulations prohibiting silent seconds on loans and requiring that all owners taking title must live in the affordable unit. Those changes were meant to discourage investors from purchasing affordable housing. Staff believes the proposed qualification process is a step in the same direction. There have also been cases where adult dependents with disabilities, who might otherwise qualify, did

not have a clear process under which to be qualified. While this situation could be addressed through reasonable accommodation, it is preferable to have a standard process in place.

Implementation

If adopted, city staff will send another notice with the new guidelines to NeighborWorks and the affordable rental housing managers to request distribution. Property management would notice the tenants of the changes to the standards for adult dependents. Special notification would be recommended in cases where property management is aware of specific resident households that may no longer qualify under the proposed two-step process. The income qualification process would not affect residents under a current lease, but would affect lease renewals. Staff will proactively engage property managers and discuss any necessary changes to their existing qualification process. Some of this outreach can be tied into the City's annual monitoring cycle currently underway.

The two-step process would occur as part of the initial income qualification or annual re-certification process. Property management performs re-certifications at different times depending on the tenant's move-in date. The proposed process should not be overly burdensome on property management or applicants because tax returns are commonly used in income verification.

The proposed process will result in turnover in cases where current tenants no longer qualify. The tenant's lease would not be renewed for the affordable unit at the end of the current term. There are waiting lists for affordable rental units in Davis, which should help management fill units for the next lease term.

The Two-Step Process

The Two-Step process consists of: 1) Income certifying the household claiming the adult dependent; and 2) Income certifying the household that will live in the affordable unit. Additional guidance will be provided to affordable housing rental and ownership providers in the following areas:

- The proposed method starts with a determination of whether the applicant is an adult dependent during his/her application or recertification. There will be a question included with the application and recertification paperwork asking if the applicant is a dependent. Dependents will be required to provide their income tax returns as well as the income tax returns for the household claiming them. However, student financial aid documentation indicating an applicant is receiving a Pell Grant will suffice in lieu of income tax returns to qualify for affordable units at 50% AMI and greater. The parents of Pell Grant recipients have already been income qualified on the FAFSFA which is why no tax returns would be required.
- The standard income limits for affordable rental units are 30%, 50%, 60% and 80% of Area Median Income (AMI). To qualify for affordable housing, a household's gross annual income must be no greater than the income limit of the unit itself. The two-step process would require managers to income qualify the claimant household(s) during step one, and the adult dependent household during step two. All households would be required to be within

the income limit of the affordable unit. This means that a unit which is affordable to those at or below 50% AMI can only be rented to an adult dependent household if all claimant households qualify at or below 50% AMI. For example, consider three unrelated adult dependent students applying to live together in a 50% unit. Each adult dependent would have a separate claimant household. All three claimant households would individually be required to make less than 50% AMI. If so, step two requires the household of three students to have a combined income also no greater than 50% AMI. One of the affordable property managers in Davis currently uses a two-step process similar to the proposal. The difference is that property management had set the income limit for the claimant household at 120% AMI to qualify adult dependents for units set aside for those at or below 50% AMI. A cost burden analysis of the claimant household would reveal that supporting an adult dependent away from home is more expensive than living together. However, staff does not consider this adequate justification for allowing a higher income for the claimant household than the income limit of the unit itself. Keeping the claimant's maximum income consistent with the income limit of the unit will ensure the affordable housing program targets low-income households.

- The proposed guidelines would exclude contributions from the claimant household from being counted as income during step two of the process. Support from the claimant is exempted because the claimant themselves is income qualified in step one. Excluding the claimant's support makes it easier for adult dependent households to qualify for step two. This may be important for larger households of adult dependents because it would be typical for every household member to have income. However, income limits do not increase proportionally with the number of people in the household (Table A, page 4). This is because income limits adjusted for household size are geared towards a typical family with one or two income earners that support the rest of the household. The two-step process puts more emphasis on the finances of the claimant household because adult dependents' are financially linked to that household and because income limits generally correlate better with that household. Excluding contributions from the claimant household will help ensure that larger households of low-income adult dependents will be able to qualify under this proposal.

Outreach

Over the past six months, staff has reached out to managers of local affordable housing projects with less restrictive funding sources to gain input and information on how adult dependents are currently qualified and how the process might be improved. This information and input was used in drafting the proposed qualification process.

Staff also sent the proposed qualification process with the annual monitoring packets to the affordable housing managers throughout the City on October 22, 2010 with a request for review and comment. No comments have been received to date.

While drafting the process, staff also discussed the proposal with our contacts at NeighborWorks, who administer the City's Right of First Refusal on affordable ownership units. NeighborWorks staff was not familiar with this type of provision but they did not express any concerns and thought it might help prevent investors from working around the system to purchase affordable ownership units.

Attachments

1. Resolution Amending the Buyer/Tenant Selection and Screening Guidelines
2. City of Davis Buyer/Tenant Selection and Screening Guidelines, with proposed amendment in italics

RESOLUTION NO. 10-XXX, SERIES 2010

RESOLUTION TO AMEND THE CITY OF DAVIS BUYER/TENANT SELECTION GUIDELINES AND ADOPT A PROCEDURE FOR INCOME QUALIFYING HOUSEHOLDS THAT INCLUDE ADULT DEPENDENTS FOR RENTAL AND OWNERSHIP AFFORDABLE HOUSING UNITS

WHEREAS, the City of Davis has an affordable housing program with the goal of assisting very-low, low, and moderate income households; and

WHEREAS, the City of Davis has adopted Buyer/Tenant Selection and Screening Guidelines to assist in accomplishing the goal of the affordable housing program; and

WHEREAS, adult dependents receive at least half of their income from the claimant; so for financial purposes, an adult dependent is still a member of the claimant household; and

WHEREAS, without adequate means of income qualification, adult dependents from households with higher incomes might impact the availability of affordable units in the City, making it difficult for low-income households to obtain affordable housing; and

WHEREAS, adopting the Two-Step Process for Income Certifying Adult Dependents helps to ensure that affordable units are reserved for those households with the greatest need, in a way that aligns with General Plan policies and goals.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Davis that it does hereby amend the City of Davis Buyer/Tenant Selection and Screening Guidelines, adding the provision of a Two-Step Process for Income Certifying Adult Dependents, as detailed in Exhibit A.

PASSED AND ADOPTED by the City Council of the City of Davis on this 30th day of November, 2010 by the following vote:

AYES:

NOES:

Don Saylor
Mayor

ATTEST:

Zoe S. Mirabile, CMC
City Clerk



Two-Step Process for Income Certifying Adult Dependents

Adult Dependent. A person of 18 years or older who is claimed as a dependent on another's income tax returns.

Applicability: This procedure is for dependents that will not be living with the person(s) claiming them.

Step One – Income certify the household claiming the adult dependent

- Include a question with the tenant income certification asking whether or not the applicant/tenant is a dependent.
- Obtain the most recent income tax returns for adult dependents and the corresponding claimant.
- Income qualify the claimant household, taking into account the income and assets of all members of that household including the dependent. Do not include the amount of support the adult dependent is receiving from the household as a source of income.
- Use the applicable low income limit for the locality where the claimant resides, not the local (Yolo County) limits for the actual household applying for the affordable unit. If the claimant lives outside the United States in areas where income limits have not been established by HUD, use the applicable low income limit for their household size in the applicant's locality (Yolo County).
- The claimant's household is required to qualify at or below the applicable income limit for the affordable unit in order for the adult dependent to be eligible for step two in the income qualification process.

Step Two – Income certify the household that will live in the affordable unit

- Income certify the actual household applying to reside in the affordable unit as would typically be done.
- This household may be a mixture of dependents and non-dependents or it can be all adult dependents so long as the supporting household(s) claiming any adult dependents are income certified, as specified above, prior to the dependent being income certified as part of the household they will be living with.
- Dependents are not required to specify the amount of support they receive from the household claiming them, but are required to report any other income including support from other sources and student financial aid for living expenses. Student loans and financial aid specified for tuition and books do not count as income.

Note: Student financial aid documentation may be used to streamline the income certification process. Pell grant recipients shall be considered very low income (i.e. 50% AMI), but may qualify for more affordable units by submitting further income and asset information as required to qualify for a lower income category.



CITY OF DAVIS

BUYER/TENANT SELECTION AND SCREENING GUIDELINES

(Please Note: These guidelines are reviewed annually and updated as necessary. Interested parties may wish to review the city's affordable housing requirements and the referenced state and federal guidelines for additional information on eligibility and program requirements.)

1. The marketing plan shall commence with marketing of the affordable units in accordance with HUD's Affirmative Marketing Guidelines, including a minimum two week period of newspaper advertisements, beginning at least two months prior to the lottery of pre-applications, and could include advertising within the university employee newsletter, within the Davis Chamber of Commerce newsletter, within the Davis Unified School District newsletter and staff bulletins, on local radio stations, and on the local community television channels. Marketing shall be done to target the needs of the community, including translation of the marketing materials into multiple languages in an effort to communicate with all members of the community.
2. The pre-application shall include, though not exclusively, the following information, which shall be declared by the applicant, under penalty of perjury to be true and correct:
 - (a) A disclosure statement of the applicant's/applicants' relationship(s) to the developer, project construction team, the designated responsible party to carry out the lottery, the owner, and/or the City of Davis staff.
 - (b) A statement declaring any/all real estate property owned by all applicants within the household.
 - (c) A list of all household members, a statement whether each member is over 18 years old, a statement of each adult member's gross annual income, and any assets worth \$1,000 or greater belonging to members of the household that are 18 years or older.
 - (d) A statement that acknowledges the owner-occupancy requirement for the affordable unit and expresses intent to occupy the unit, for which the household is applying. (buyer selection)
 - (e) A statement that the pre-application represents the entire household and that no persons of the household are applying separately.
 - (f) Documents required to qualify for one of the incentive system categories as defined by Article 18.07.020 of Davis Municipal Code: (buyer selection)
 - (i) "General public" category does not require any additional documentation.
 - (ii) "Local workforce" category requires written verification from an employer within the Davis Planning Area, as defined by the local workforce definition in Article 18.07.020 of Davis Municipal Code, that states the employee's official employer and employment position, term of employment, average amount of hours worked each week for the past six months, and the employee's primary place of work. In cases where an employer or a home occupation entrepreneur is applying for this category, tax documentation and a copy of the business license must be used to verify the requirements defined by this category's definition.

(iii) "Persons with disabilities" category requires written verification from a physician that states that an adult member of the household, as defined in Article 18.07.020 of Davis Municipal Code, has a physical or mental impairment that limits one or more major life activities, as defined in the Fair Employment and Housing Act (FEHA) of California Government Code section 12926(i)(1), (2), and 12926(k)(1), (2).

(iv) "Senior" category requires a copy of the household member's birth certificate or other acceptable documentation in order to verify that the individual is 62 years of age or older.

3. Once all pre-applications have been accepted, based on the advertised deadline of submittal, or any authorized extension, the developer, or the designated responsible party, shall screen the pre-applications for consistency with the income requirements (Attachment A), as set forth for the given project. Any applicants, who do not qualify, based on the income and/or asset amount stated in their pre-application, shall be notified of their disqualification from the lottery.

Low-moderate income households with net assets totaling over \$250,000 and middle income households with net assets totaling over \$300,000 shall automatically be disqualified. For the purposes of calculating a household's total net assets for the asset cap limit, retirement accounts shall not be included. Asset calculations that add 3.75% of all net assets into the household's income, shall include retirement accounts and shall be conducted based on HUD's requirements found in Part 5 of Chapter 24 in the Code of Federal Regulations (CFR), a summary of these requirements are included as Attachment B of these guidelines. Households shall not be permitted to hold fee simple ownership on other residential real estate if they are selected to participate in the city's affordable housing program. Households holding fee simple ownership on residential real estate at the time of application may sell the real estate prior to buying an affordable unit, but the equity from the sale will be considered as an asset in determining eligibility under the screening guidelines for the program. The maximum household income, based on the target income for the unit and the size of household, is updated annually and can be found as Attachment A of these guidelines.

In the case of affordable ownership units, the designated responsible party shall determine the number of tickets for each applying household based on the pre-application and the submitted documentation relating to incentive system categories. Tickets shall be distributed based on the one highest category that the household qualifies for overall. No ticket amounts shall be added for households with more than one adult and/or that qualify for more than one incentive category. One ticket is the minimum amount of tickets per household and four tickets is the maximum per household.

4. The developer, owner, or the designated responsible party, shall then conduct a lottery to rank the applicants. The lottery for affordable ownership units shall incorporate the requirements of Article 18.07, an incentive system for the local workforce. A list of the applicants' last names and first initials, to be included in the lottery, must be made available

upon request to the general public prior to the lottery, and shall be made available on-site where the lottery is held. Single affordable unit projects may request exemption from the incentive system and lottery requirement. Exemption from this selection process shall be subject to review and approval by the city during the required review of the project's Affordable Housing Plan and/or Middle Income Housing Plan, and shall only be provided based on the city's approval of an agreed upon alternative.

5. Once the applicants have been randomly ranked by the lottery, a copy of the list shall be kept by the project developer, and a second copy shall be given to city staff, in the form of a spreadsheet. The initial ranking list of applicants' last names and first initials shall be made available, upon request, to the general public.
6. After the specified deadline for applications submitted into the lottery has passed, new applicants shall be added to the end of the list produced by the lottery, on a first-come first-served basis.
7. Once the lottery has been carried out, a third party verification process by the developer, owner, or the designated responsible party, shall be utilized to evaluate the income and assets for individual households, in order to determine the household's income eligibility to purchase or rent the affordable unit. All borrowers on the mortgage loan for each affordable ownership unit must be included in the income verification process.
8. The income and asset verification process shall mirror that of the process required by Part 5 in the 24th Chapter of the Code of Federal Regulations (CFR), which take into account all incomes of the household (salary, pension, public assistance, income from assets, etc.) and includes 3.75% of all net assets (as defined by Part 5 in the 24th Chapter of the Code of Federal Regulations (CFR)) that total \$5,000 or greater. The city shall review the proposed verification process to be utilized for each project, ensuring that all income, and total net assets that exceed \$5,000, are included as part of the calculations. Projects can be exempted from using the City Council designated percentage of assets (3.75%) in circumstances where State or Federal funding sources require the current passbook rate to be used. (Attachment B is a quick reference of the income and assets required to be included in the Part 5 Calculation for the 24th Chapter of CFR.)

If during the verification process, the party responsible for the income qualification of households discovers that persons who intend to function as one household applied separately for purposes of the lottery, such persons will be penalized by being moved on the lottery-created list to the lowest ranking position of all the household members. For example, if Applicant X and Applicant Y planned to purchase the unit together, but applied for the lottery separately, they would be penalized. If Applicant X is 45th on the list and Applicant Y is 10th on the list, both applicants would be moved as a household to the 45th position on the list.

9. Once the verification process has been completed for an individual household, the developer shall offer the qualifying household, in the order that they appear on the spreadsheet, the

opportunity to purchase or lease the affordable unit. The results of that offer, and the income verification process, shall be detailed on the list, to the right of the household name.

10. The purchase agreement or lease to be used by the developer shall be approved by the City prior to the buyer/tenant selection process. The purchase agreement for ownership units shall include a requirement that the City shall approve the executed agreement between buyer and seller prior to the closing of escrow on the affordable unit. The lease for rental units shall be modeled after the city's model lease, available at city offices, and shall meet any lease requirements based on funding sources used in the project.
11. As part of the escrow process for ownership units, all buyers shall sign a disclosure statement that summarizes all of the restrictions placed on the unit to be purchased, in order to maintain its affordability and accomplish the goals of the city's affordable housing program. This disclosure statement shall be notarized, and a copy shall be given to both the city and the buyer(s) of the respective unit. As part of the leasing process for rental units, signing households should be made aware of the differences between affordable rental housing and market rate rental housing, including the necessary unit inspections, income qualifying requirements, etc., these items shall be explained in a lease addendum to be signed by the household and kept in the unit file.
12. This process shall adhere to all requirements of the project, as mandated by state and federal agencies, based on project funding sources. If any of those guidelines contradict that which is outlined in this section, federal and state guidelines shall prevail in the contradicting area only, otherwise city regulations must be followed.
13. The project developer or the designated responsible party to carry out the buyer/tenant selection process shall submit informational reports to the city on the first business day of each month, until all of the affordable units in the project are filled. These reports shall include information regarding the income verification process, the completed spreadsheet list of households mentioned above, and any other information that city staff deems necessary.

Two-Step Process for Income Certifying Adult Dependents:

Adult Dependent. *A person of 18 years or older who is claimed as a dependent on another's income tax returns.*

Applicability: *This procedure is for dependents that will not be living with the person(s) claiming them.*

Step One – Income certify the household claiming the adult dependent

- **Include a question with the tenant income certification asking whether or not the applicant/tenant is a dependent.**
- **Obtain the most recent income tax returns for adult dependents and the corresponding claimant.**

- Income qualify the claimant household, taking into account the income and assets of all members of that household including the dependent. Do not include the amount of support the adult dependent is receiving from the household as a source of income.
- Use the applicable low income limit for the locality where the claimant resides, not the local (Yolo County) limits for the actual household applying for the affordable unit. If the claimant lives outside the United States in areas where income limits have not been established by HUD, use the applicable low income limit for their household size in the applicant's locality (Yolo County).
- The claimant's household is required to qualify at or below the applicable income limit for the affordable unit in order for the adult dependent to be eligible for step two in the income qualification process.

Step Two – Income certify the household that will live in the affordable unit

- Income certify the actual household applying to reside in the affordable unit as would typically be done.
- This household may be a mixture of dependents and non-dependents or it can be all adult dependents so long as the supporting household(s) claiming any adult dependents are income certified, as specified above, prior to the dependent being income certified as part of the household they will be living with.
- Dependents are not required to specify the amount of support they receive from the household claiming them, but are required to report any other income including support from other sources and student financial aid for living expenses. Student loans and financial aid specified for tuition and books do not count as income.

Note: Student financial aid documentation may be used to streamline the income certification process. Pell grant recipients shall be considered very low income (i.e. 50% AMI), but may qualify for more affordable units by submitting further income and asset information as required to qualify for a lower income category.