

# IHO AMENDMENTS

City Council  
August 24, 2023



# IHO AMENDMENTS

## Background:

- CMC Chapter 18.02 was originally adopted in 2004
- IHO last amended 2013 and 2021
- Necessary amendments to clarify terms and current practices



# IHO AMENDMENTS

## New Definition of Primary Residence

- **Primary Residence:** A dwelling unit a person physically occupies and lives in at least ten months of the calendar year.
- **Exception:** After residing in the unit as a Primary Residence for a minimum of one year, under unique temporary circumstances that require the owner to temporarily vacate the unit, the owner may rent out the unit with the prior written approval of the Community Development Director for a period of up to one year and still qualify as a Primary Residence.



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## Amended Definition of “Qualified Retirement Plan”:

- Section 18.02.020 “a retirement plan recognized by the Internal Revenue Service (IRS) where investment income accumulates **tax-deferred**. Common examples include individual retirement accounts (IRAs), pension plans and Keogh plans.”
- Remove the term “tax-deferred.”



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## Amend For-Sale Housing Units Sales Price and Procedures to Reflect Current Practices

- CMC 18.02.060(A)(3) outlines the sales price and procedures for inclusionary mobile home lots.
  - States the resale of an inclusionary mobile home parcel is restricted to sale to a **median income** household adjusted by household size.
  - Incorrect. The current practice is to restrict sales to **low to moderate-income** households.
- Replace “median” with “low to moderate”.



# IHO AMENDMENTS

## Amend Eligibility Requirements

- Section 18.02.070(B)(2) and (C)(2) of Municipal Code allowed inflation tied to Consumer Price Index on January 1<sup>st</sup> of each year. Staff updates eligibility requirements for inclusionary units each year when official state income limits are published, typically in spring.
- Modify CPI adjustment to take place when state income limits are published to simplify annual calculation



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## **Recommended Action:**

- Introduce by title only, waiving further reading of the text, an ordinance of the City of Capitola amending CMC Chapter 18.02, Affordable (Inclusionary) Housing.



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- Staff recommends modifying CPI adjustment to take place when state income limits are published to simplify annual calculation
- CMC §18.02.070.(B)(2): “ Assets in a qualified retirement plan up to five hundred thousand dollars, which amount shall be increased on ~~January 1, 2023, and every January 1<sup>st</sup>~~ the first day of the month following the annual release of Official State Income Limits by the California Department of Housing and Community Development, and every year thereafter by a percentage of equal to the percentage increase in the Consumer Price Index over the same time period”.
- CMC §18.02.070.(C)(2): “Assets up to one million dollars, which amount shall be increased on ~~April 1, 2021, and every April 1<sup>st</sup>~~ the first day of the month following the annual release of Official State Income Limits by the California Department of Housing and Community Development, and every year thereafter by a percentage equal to the percentage increase in the Consumer Price Index over the same time period.”