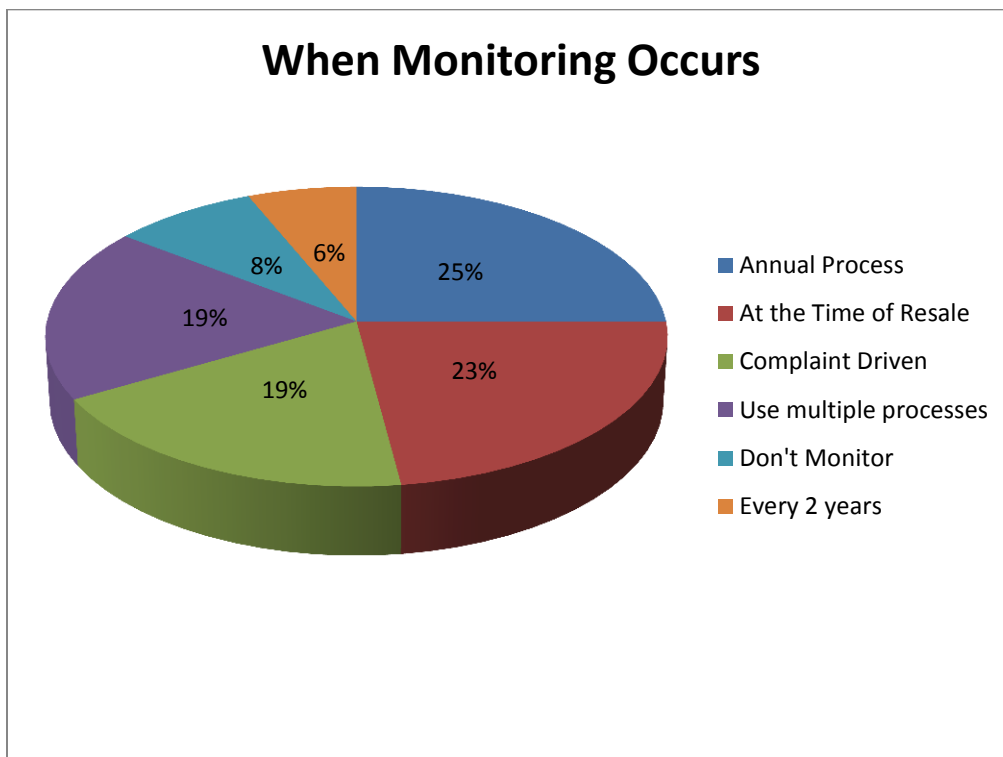


## Affordable Housing Compliance Survey of CAST Member Towns August, 2013

In early August, a survey was conducted of CAST Member Towns to gather information about how affordable housing programs are monitored. What follows are the results of the survey. It was conducted through Survey Monkey and 22 towns responded: 20 from Colorado and one each from Wyoming and Utah. The total number of units represented by the participating towns is 10,661.

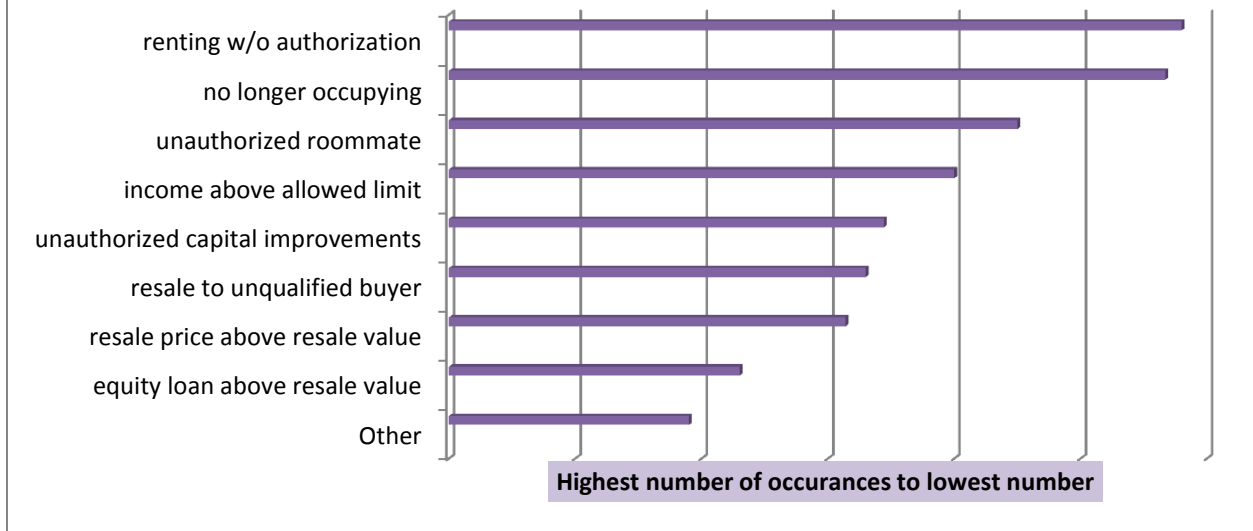
Monitoring takes place in a variety of ways with three types being the most used: annual compliance process, at the time of resale and/or at the time a complaint is filed. In a few cases, more than one method is used.



Respondents are split almost equally regarding how monitoring is conducted. Nine communities conduct the process in-house and eleven utilize a third party, primarily local or county Housing Authorities. Two respondents did not answer this question.

Respondents ranked compliance issues by frequency of occurrence beginning with one for those issues that occurred most often to nine for those issues that occurred least. The most often occurring issues are: owners renting without approval; owners no longer occupying their deed restricted unit and residents who rent rooms to unauthorized roommates.

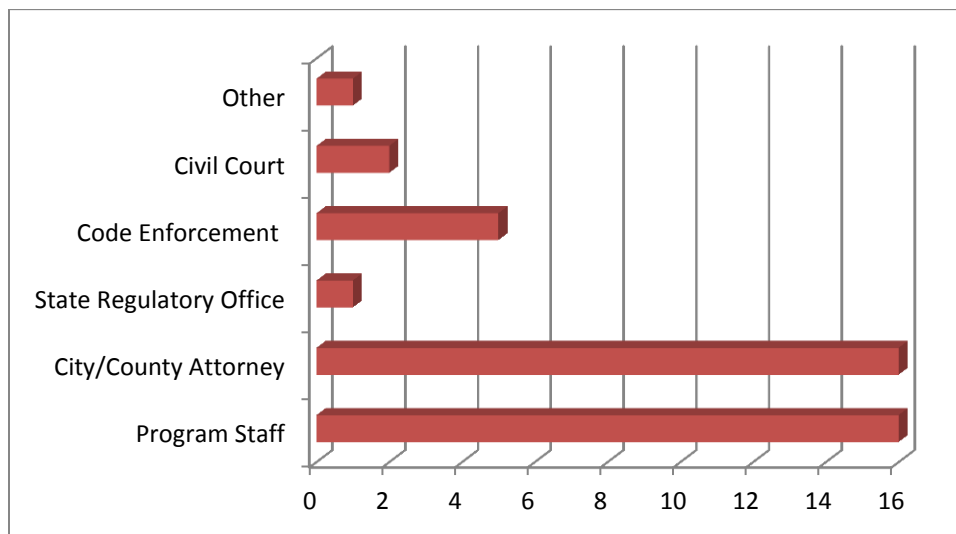
## Most Frequently Occurring Compliance Issues



Most respondents use recorded deed restrictions to enforce their homeownership programs. Other tools are development agreements, ground leases and a loan or lien against the property. In the case of the loan, it is primarily a soft second that is only called if the property ends up in default or the owner is out of compliance and doesn't demonstrate intent or desire to comply.

In most cases, the Town or City (local jurisdiction) is the beneficiary of the deed restriction – 16 of the 22 respondents. The balance designated the County (2) or the regional/local housing authority (2).

Enforcement is conducted primarily by program staff and city/county attorneys. A small number of jurisdictions code enforcement, civil court and state regulatory offices also get involved.



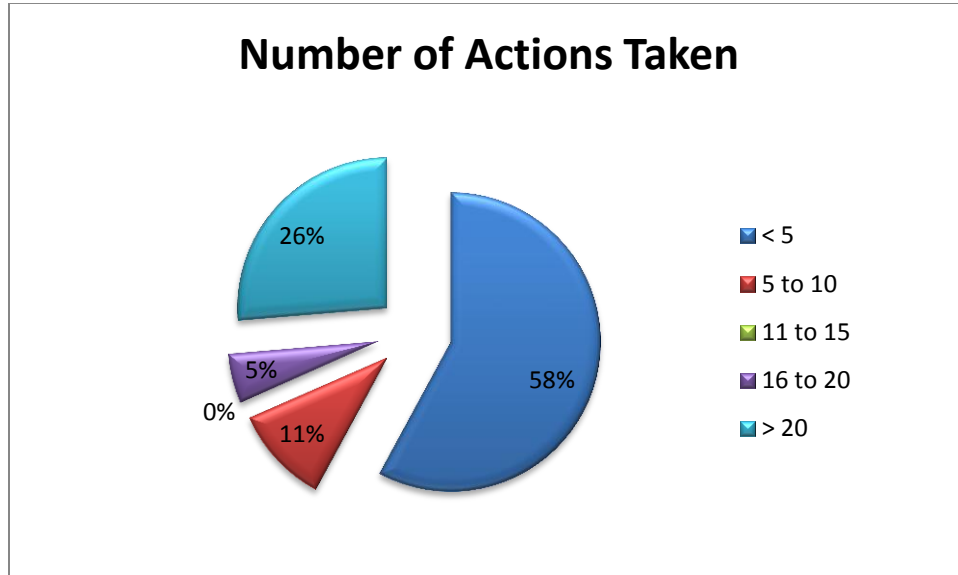
Below are the descriptions provided by respondents of actions taken when a unit is out of compliance:

- In most cases, action begins with a letter and/or a call requesting compliance and time is provided to correct the situation or request a waiver. Further action can include:
  - Meeting with and/or prosecution by City/County Attorney;
  - Hearing before Housing Authority Board;
  - Fines imposed; or
  - Letter including a legal Notice of Default.
- In most cases that remain non-compliant beyond the above, owner is forced to sell, or the past sale is vacated and the governing entity sells the unit to a new qualified household.
- In some cases, civil suits are filed.
- Where possible, the local jurisdiction calls their loan.
- In one case, a Town's City Council relieved all individual owners of the recorded deed restrictions and suspended their program due to the inability to re-sell in the current market.

Below are the descriptions provided by respondents of instances where non-compliance was investigated and/or prosecuted:

1. People have been investigated for owning property in the exclusion zone and have been ordered to sell their deed restricted property or their other property. Occasionally a person buys a deed-restricted unit and cannot sell their other property - in which cases they are sometimes given additional time to make reasonable efforts to sell.
2. In all but two cases, as soon as program staff notified owners that they are out of compliance, the default is corrected. In two cases we are working through the city attorney's office to determine how to remedy the problem. We are also looking into adoption of an ordinance making affordable housing fraud a criminal offense
3. Worked with the bank, realtors, potential buyer and cancelled the pending contract to buy. All cooperated when they all finally understood that the deed restriction existed and it was "for real".
4. Recording clear restrictions on the properties is the most important piece so that all parties understand the terms of the agreement.
5. Our guidelines for sales units require the owners to work 1400 hours a year in the local area. Occasionally we will investigate owners who have been identified as not meeting this employment qualification. We require the owners to complete a Biennial Re-qualification Affidavit to verify they are in compliance with the housing guidelines.
6. On the home ownership piece we have investigated and sent notice of noncompliance. Issues were always resolved. On rentals: If a tax credit property noncompliance is always investigated. 'Prosecution' depends on the noncompliance issue. If fraud has occurred, eviction proceedings begin immediately. If we are able to work with the client and no intentional fraud exists, we try and keep people in their units.
7. An owner was not renting their unit as required and was taken to court where fines were imposed for non-compliance. Owners have been forced to sell at purchase price. Notices of Violation have been issued which give the owner 1 year to cure.
8. Civil proceedings are the last resort. Most violations are resolved when the owner and the Town agree to a plan/schedule. I have one example of a prosecution: Unit was purchased by an out of state owner who intended to relocate, occupy the unit, and work locally. The

owner never relocated and used the unit when they visited on vacation. The Town filed complaint in municipal court in June 2006 and the owner settled by selling the unit to a qualified buyer and paying a \$15,000 fine. We send out several 30 day warnings annually, but have rarely prosecuted in court.



In most cases, less than five actions have been taken to date. Only six jurisdictions have taken 16 actions or more – two have more than 1,000 units, two have between 600 and 800 units and two have below 230 units.

And finally, most respondents felt their programs were moderately successful and above. One jurisdiction felt their program was not at all successful and four did not answer the question.

