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HOMEOWNER INFORMATION - True/False STATEMENTS

Alta Housing serves as a resource for BMR homeowners by providing information on a variety of matters including the rights and responsibilities of BMR homeowners, valuation of BMR units, mortgage refinancing, and how to maximize and protect one's investments in a BMR home.

DO YOU HAVE TO JOIN THE ASSOCIATION?

Membership in the association(s) is automatic. When a person buys a lot, home, townhouse, or condominium in a common interest development, he/she automatically becomes a member of the association(s).

THE PURPOSE OF THE PALO ALTO BMR HOUSING PROGRAM IS TO PROVIDE HOMEOWNERSHIP OPPORTUNITIES FOR LOW- AND MODERATE-INCOME FAMILIES LIVING OR WORKING IN PALO ALTO.

TRUE The City of Palo Alto's BMR program is intended to increase the supply of for-sale housing and rental housing for individuals and families whose incomes are insufficient to afford market rate housing." This philosophy governs the administration of the entire program.

ONCE YOU BECOME A PALO ALTO BMR HOMEOWNER, IT IS JUST LIKE OWNING ANY OTHER HOME.

FALSE BMR unit is subject to special deed provisions that impose restrictions on occupancy, rental, transfer, and resale

VIOLATION OF THE DEED RESTRICTIONS (SUCH AS RENTING OUT A BMR UNIT WITHOUT THE PRIOR PERMISSION OF THE CITY) IS ILLEGAL AND COULD RESULT IN FINANCIAL PENALTIES AS WELL AS FORCED SALE.

TRUE This is a fundamental part of the program. Owners who have been found renting out their unit have been required to immediately sell the unit.

WHEN A UNIT IS SOLD, THE OWNER CAN PUT THE HOME ON THE REAL ESTATE MARKET AND GET THE BEST PRICE OFFERED.

FALSE (1) All sales must be made through Alta Housing to a qualified buyer on the BMR Housing Purchase Program Waiting List. (2) The selling price of a BMR unit is established by Alta Housing and limited to the original purchase price plus a percentage of the increase in the Consumer Price Index (CPI) for the Bay Area during the period of ownership. The depreciated value of significant improvements and the full value of special assessments paid by the homeowner to the Homeowners Association for improvements to the common areas are also added to the resale price.

THE BMR HOME MUST BE THE OWNER'S PRINCIPAL RESIDENCE.

TRUE – (1) The BMR program requires that all persons on the deed live in the unit and maintain it as their primary residence. (2) The primary residence status must be reflected in the homeowner's property tax status in the County Tax Assessor's Office.

THE OWNER DOES NOT HAVE TO ACTUALLY LIVE IN THE HOME. A PARENT, CHILD OR OTHER CLOSE RELATIVE CAN LIVE THERE INSTEAD, IF THEY ARE NOT PAYING RENT.

FALSE – The home must be physically occupied by the person listed on the title. If the owner is not occupying the property, it is a violation regardless of the occupants' relationship to the owner, and regardless of whether any rent is being paid. If persons on the title have moved, then their names should be removed from the title to the BMR unit. PAHC can assist homeowners with this matter.

YOU CAN TRANSFER YOUR BMR UNIT TO YOUR CHILDREN BY GIFT OR INHERITANCE.

TRUE

1. A transfer of title by gift or inheritance to your adult children is permissible but must be approved by the City of Palo Alto.
2. Your children must meet BMR income qualification requirements and must live in the unit.
3. If the City consents to the transfer, the BMR deed restrictions must be attached to the new deed.
4. If your children do not income qualify or choose not to live in the unit, they must sell the unit through PAHC to a qualified buyer from the BMR Housing Purchase Program Waiting List.

YOU MAY TRANSFER YOUR UNIT TO A REVOCABLE LIVING TRUST FOR ESTATE PLANNING PURPOSES.

FALSE – BMR owners may not place their units in a revocable living trust as part of their estate plan. Trust designations can be amended at anytime and the City would have no way of knowing of the changes.

IF THE LEGAL OWNER NEEDS TO LEAVE THE AREA (FOR EXAMPLE TO ACCEPT A JOB IN ANOTHER CITY) IT IS NOT A VIOLATION AS LONG AS NO ONE ELSE LIVES IN THE BMR UNIT WHILE THE OWNER IS AWAY.

FALSE – Leaving a BMR home vacant on a long-term basis is just as much a violation as allowing someone else to live there. The purpose of the program is to provide affordable home ownership for persons who live or work in Palo Alto.

If you go on sabbatical, the City may allow you to rent your unit temporarily to a low-income renter whose income has been verified by PAH.

YOU MUST NOTIFY THE PAHC IF YOU ARE REFINANCING OR SELLING YOUR HOME.

TRUE

1. BMR owners who are seeking to refinance must contact PAHC to get the current BMR value of their unit so they can determine the appropriate level of financing. Over-financing is violation of the program rules and can result in criminal fraud charges as well loss of the property.

2. BMR owners must contact Alta Housing when they wish to sell their units. All BMR units are sold through Alta Housing to a qualified buyer on the BMR Housing Purchase Program Waiting List at a price established by Alta Housing in accordance with the appreciation formula specified in the deed restrictions.

AS LONG AS YOU PROPERLY NOTIFY PAHC, YOU CAN REFINANCE UP TO THE MARKET VALUE OF YOUR HOME.

FALSE – You may not take out a mortgage loan that exceeds the current BMR value of your unit.

Note: If you get a home equity line of credit for an amount larger than current BMR value of your unit but never borrow more than the CPI adjusted value, it is still a violation of the program

CONTINUED MAINTENANCE AND UPGRADES TO BMR PROPERTY CAN HAVE MANY ADVANTAGES.

TRUE

- Your unit can sell faster.
- The resale price of your unit can be increased by the depreciated cost of significant improvements.
- You can recuperate the full value of special assessments that you paid to the Homeowners Association for repairs to common areas.
- You will not have to pay extra repair costs at closing.
- You will get more enjoyment out of the property while you live there

IF YOU TRY TO REFINANCE, OBTAIN AN EQUITY LINE OF CREDIT OR TAKE OUT ANY COMBINATION OF LOANS THAT EXCEED THE CURRENT BMR VALUE OF YOUR UNIT, YOU ARE NOT ONLY COMMITTING A VIOLATION OF THE BMR DEED RESTRICTIONS, YOU MAY ALSO BE GUILTY OF FRAUD.

TRUE – This is true even if you have told the bank that the property is a BMR unit and they still give you a loan for an amount that exceeds the current BMR value of your unit.

A MAJORITY OF THE BMR HOMES ARE IN A COMMON INTEREST DEVELOPMENT (CID).

TRUE – When a homeowner buys a home in a CID, they automatically become members into the Homeowners' Association. The Association manages the common property and facilities and acts as a self-governing body for the physical and financial well-being of the CID.