



## **Wellfleet Accessory Dwelling Unit Loan Program**

### **PRIORITIES OF THE PROGRAM:**

The Wellfleet Affordable Housing Trust will make four (4) \$10,000, no interest, forgivable loans, available to Wellfleet property homeowners to create an ADU that they will rent affordably for a minimum of 5 years.

The Wellfleet Affordable Housing Trust will offer post-construction ADU incentives to qualified homeowners who are willing to rent their ADU affordably per HUD Affordable Fair Market Rent (AFMR) guidelines for a period of 5 years.

Program funds can be used toward the converting of an existing apartment (permitted or non-permitted) into a legal ADU.

### **Program Guidelines**

The Town of Wellfleet's Accessory Dwelling Unit (ADU) Loan Program is primarily funded from generously donated monies to the AHT fund. The program's purpose is to award an ADU loan to a qualified homeowner, after construction is complete and unit is leased to an identified and qualified renter, in order to incentivize the property owner to rent the unit affordably.

Program funds can be used towards updating an existing ADU and amnesty to convert unpermitted apartments into legal ADUs to be rented affordably. Once the ADU construction is complete, leased to an identified and qualified renter and the unit has been permitted, the loan will be available to the property owner.

## **Application Terms & Eligibility**

### **1. Property Owner Eligibility**

- a. Once the ADU is complete, the homeowner will complete an ADU Incentive Application and provide required documents including:
  - Proof of Building Permit Final Sign-Off
  - Certificate of Occupancy
  - Signed lease or rental agreement with qualified tenant(s) showing:
    - i. Rent meets HUD AFMR guidelines.
    - ii. The rental period is a minimum of 12 consecutive months.
- b. Upon application approval, the homeowner must execute a Deferred Forgivable Loan Agreement before receiving program funds.

### **2. Renter Qualification**

- a. Property Owner is responsible for finding tenant(s) and shall not discriminate on the basis of race, color, religion, sex, national origin, genetic information, ancestry, sexual orientation, gender identity, age, familial status, children, marital status, veteran status or membership in the armed services, the receiving of public assistance, or physical or mental disability, or other basis prohibited by local, state or federal law in any aspect of tenant selection or matters related to continued occupancy.
- b. Tenant(s) must meet income restriction of no more than 120% of Area Median Income (AMI)
- c. Upon initial lease, tenant(s) will be income qualified. Income will be recertified annually for 4 additional years by the Community Development Partnership (CDP) per HOME guidelines, for up to five years.
- d. Income and asset documentation will follow the HOME guidelines.
- e. Required documentation for self-employed applicants: six months of bank statements, previous year of income tax statement, two months of paystubs.
- f. Required documentation for salaried-employed applicants: six months of bank statements, two months of paystubs.
- g. Assets documentation: benefits, child support
- h. Photocopies, not originals

### **3. Loan Terms**

- a. This is a 5-year deferred, no interest, forgivable loan.
- b. The loan amount is \$10,000.
- c. The Loan will be forgiven in whole increments of 1/5 per year so long as the property owner remains in compliance and abides by all terms in the Deferred, Forgivable Loan Agreement. Unless otherwise approved by the Wellfleet Affordable Housing Trust, the ADU shall not remain vacant for more than 30 days upon tenant departure.

## **Program Implementation**

### **1. Phase 1 – Approval Process**

- a. The property owner (applicant) applies with the required documentation.
- b. CDP reviews the application and determines program eligibility.
- c. CDP income qualifies initial tenant.
- d. CDP sends the Wellfleet Affordable Housing Trust the loan recommendation for applicant.
- e. Wellfleet Affordable Housing Trust sends CDP written notice of loan approval and provides loan check.
- f. CDP notifies applicant of loan approval or rejection.

### **2) Phase 2 – Loan Documents & Closings**

- a. CDP will prepare loan documents and conduct loan closings during which documents will be signed and notarized.
- b. A check is presented to the applicant.
- c. CDP will notify the property owner if they are eligible for any tax exemptions for renting year-round and/or meeting Affordable ADU (AADU) requirement.

### **3) Phase 3 – Monitoring Process**

- a. CDP will income qualify each new tenant and confirm rent is affordable per HUD AFMR guidelines which are updated annually.
- b. CDP will re-certify existing tenants each year.
- c. Upon recertification, existing tenant's income cannot exceed 140% Area Median Income if their income increased. In this case, the rent is subject to increase, but the tenant cannot be evicted. CDP will consult with the Wellfleet Affordable Housing Trust on a case-by-case basis for further guidance.
- d. If property owner comes out of compliance and defaults on loan terms, CDP will notify the Wellfleet Affordable Housing Trust and property owner that the loan balance is due. Wellfleet Affordable Housing Trust is responsible for any legal action if the balance is not paid.