



# CITY OF BOULDER DIVISION OF HOUSING

## New Construction Pre-Purchase Upgrades Policy

Effective January 1, 2009

### Rationale and Intent

Permanently affordable homes are expected to be constructed as complete and livable homes for households with limited, qualifying incomes and assets. As such, upgrades should be offered and requested in moderation. On occasion, certain pre-purchase upgrades may be offered by the developer. Upgrades are in no way intended to replace normally expected building components. The Division of Housing's Livability Guidelines and Standards will be enforced. Acceptable upgrades are generally items which would be more costly or structurally difficult to add after construction. The upgrades offered will not be the same for every development and are subject to approval by the city.

#### ➤ **Non-Eligible Upgrades (upgrades not eligible for capital improvement/upgrade credit):**

Items required by the International Building Code (IBC), the International Residential Code (IRC) the City's Housing Code, and the Division of Housing's Livability Guidelines and Standards must be provided by the developer as a part of the base home price and are not eligible as upgrades.

**Non eligible pre-purchase upgrades** (upgrades that will not receive capital improvement/upgrade credit at resale) may also be offered to buyers; they too have to be submitted for approval by the Division of Housing prior to marketing.

#### ➤ **Eligible Pre-purchase Upgrades (80% credit at resale)** are limited to:

1. **Flooring:** Hardwood, tile and carpet upgrade (only if carpet lifetime warranty is extended beyond the current Division of Housing Livability Guideline requirements).
2. **Cooling:** Whole house fans, ceiling fans, non portable evaporative coolers or if evaporative coolers are not allowed by the HOA or difficult to install, central air conditioning.
3. **Perimeter Fencing:** When not provided by the developer.

#### ➤ **Process**

- When the developer/builder of permanently affordable housing chooses to offer upgrades both eligible and non-eligible, the list of upgrades must be approved **prior to marketing the units** by the Division of Housing. The list must specify what upgrades are proposed and the cost of each.

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- The developer must provide purchasers with a copy of this policy prior to their upgrades selections.
- All upgrades must be initiated by the purchaser. A developer may not opt for upgrades prior to signing a contract with a purchaser unless those upgrades will be at no charge to the purchaser.
- Once upgrades are selected, the developer or purchaser must provide the following information to the Division of Housing **within two weeks of the upgrades being selected** (attn: Homeownership staff; phone 303-441-3157 x 2; fax 720-564-2188):
  - the housing unit address and purchaser
  - the specific upgrades selected
  - the itemized cost of the upgrades
  - if the upgrades are being financed
  - the total amount (deposit, earnest money, upgrades payment, etc.) provided by the purchaser to the developer

**Failure to provide this information will result in the buyer not receiving credits.**

- Approved eligible pre-purchase upgrades will receive an immediate credit of **80%** of the cost of the upgrade. The city will allow a buyer to purchase upgrades both eligible and non-eligible, costing up to \$25,000. Any credit for pre-purchase upgrades will count towards the lifetime \$25,000 credit allowed for each homeowner per the **City of Boulder Capital Improvement/ Capital Update Credit and Maintenance Policy**.
- The Division of Housing will allow an increase in the sales price up to the amount of the pre-approved eligible upgrades. However, the purchaser must agree by signing a Pre-purchase Upgrade and Sales Price Agreement that the original purchase price specified by the covenant will remain as the purchase price for the purposes of determining appreciation and when calculating the resale price when they sell their affordable home. Upgrade expenses approved for credit will only be added to the resale price in accordance with the covenant's provisions concerning Eligible Capital Improvements. The Pre-purchase Upgrade and Sales Price Agreement will be provided by the Division of Housing.
- The Division of Housing Homeownership staff must approve any mortgage that exceeds the maximum covenant price, or if the total housing payment plus other debt payments exceeds 42% of the buyer's certified income. Questions about these issues should be directed to the Division of Housing **at least two weeks prior to the buyer committing to the upgrades**.
- Approved eligible pre-purchase upgrades will be treated as eligible capital improvements for the purposes of determining the resale price.
- Exceptions to this policy as listed below, may be requested in writing, and should include an explanation for the reasons or special circumstances for the exception. Exceptions may be considered by staff with the advice of the Homeownership Committee, a group of community volunteers who review and make recommendations regarding homeownership policy questions.
- Only the following exceptions will be considered by city staff:
  - the purchaser wanting to borrow more than the covenant price to finance upgrades
  - the purchaser's "back end ratio" exceeding 42%
  - the purchaser wanting credit for ADA-approved changes to the unit

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The purchaser must **request the exception prior to committing to the upgrades**. If the exception is not granted and the pre-purchase upgrades have been ordered, the purchaser and/or the developer will be held to the terms of the covenant and this policy.

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