

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.

Eligible and Non-Eligible Upgrades

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.

Pre-purchase upgrades eligible for 80% credit at resale are limited to:

Flooring: Hardwood, tile and carpet upgrade (only if carpet lifetime warranty is extended beyond the current division of Housing Livability Guideline requirements).

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.

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

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.

- The developer must provide purchasers with a copy of this policy and the attached “Upgrades Information for Homebuyer” sheet 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; fax 303-441-4368):
 - 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 Capital Credit allowed for each homeowner.
- 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 **within 4 weeks of ordering the upgrades**, 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 Homeownership Committee 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

will be considered by 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 the Homeownership Committee:
 - 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.

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.

UPGRADES INFORMATION FOR THE HOMEBUYER

If you are considering some upgrades (improvements that cost you extra) for your new home, please keep the following in mind:

You may purchase upgrades that cost up to \$25,000, these upgrades will count towards your total lifetime maximum capital improvement allowance of \$25,000.

You may only receive credit for those upgrades approved by the Division of Housing. **Failure to provide information within the policy guidelines will result in the buyer not receiving their credits.**

Pre-purchase upgrades eligible for a credit of 80% of cost are limited to

Flooring: hardwood, tile and carpet (only if carpet lifetime warranty is extended beyond the current Division of Housing Livability Guideline requirements).

Cooling: Central air conditioning, whole house fan, evaporative cooler or ceiling fans.

- The developer decides how you can pay for the upgrades. Typically you will have to pay the full amount before closing and it will not be refundable.
- If you purchase upgrades, you must contact the Division of Housing (attn: Homeownership; phone 303-441-3157; fax 303-441-4368). The City will require you to sign a Pre-purchase Upgrade and Sales Price Agreement at closing, by signing this agreement, you will be acknowledging that your eligible upgrades will be treated as eligible capital improvements for the purposes of determining the resale price.
- Only the following exceptions will be considered by the Homeownership Committee:
 - 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.

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.