WAYPOINTE AFFORDABLE HOUSING PROGRAM

EA-1154, Revision A
(Specific Plan and Development Agreement)
DR Horton Residential Development
HOME FEATURES

• 2 BEDROOM
• 2.5 BATHROOMS
• 1,242 SQUARE FEET
• 2 CAR ATTACHED GARAGE
• KITCHEN, LIVING ROOM & DINING ROOM
• 2 OUTDOOR DECKS
• IN UNIT LAUNDRY (APPLIANCE NOT INCLUDED)
• MOHAWK FLOORING
• FRIGIDAIRE KITCHEN APPLIANCES

ENERGY EFFICIENT FEATURES

• 15.0 SEER CENTRAL AIR CONDITIONING UNIT BY CARRIER® WITH WI-FI DIGITAL PROGRAMMABLE THERMOSTAT
• LOW-E DUAL-GLAZED WINDOWS
• ENERGY-SAVING TANKLESS WATER HEATER
• SOLAR PRE-PLUMB (CONDUIT ONLY)
• ELECTRIC CAR CHARGING STATION PRE-WIRE AT GARAGE
DESIGNATION OF HOMES

IMPERIAL AVENUE
LOCATION OF HOMES
## AFFORDABLE SALES PRICES

<table>
<thead>
<tr>
<th>4-Person Household</th>
<th>Affordable Sales Price*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low Income</td>
<td>$25,100</td>
</tr>
<tr>
<td>Very Low Income</td>
<td>$113,700</td>
</tr>
<tr>
<td>Low Income</td>
<td>$246,600</td>
</tr>
<tr>
<td>Moderate Income</td>
<td>$423,800</td>
</tr>
</tbody>
</table>

- Calculated based upon assumed mortgage interest rate of 3.95% and 30% of income allocable to mortgage principal and interest.

### MARKET RATE SALES PRICING

$910,000
QUESTIONS RAISED AT CITY COUNCIL MEETING OF APRIL 16, 2019

• Affordable housing program income limits and sample sales prices
• Affordable housing selection process
  o Marketing
  o Timeframe for processing
  o Buyer qualification and verification
  o Preference for military members
### Buyer Income Brackets

Area Median Income (AMI) = $73,100

<table>
<thead>
<tr>
<th>Income Brackets</th>
<th>Annual Income Limit</th>
<th>Monthly Income</th>
<th>% of Monthly Income</th>
<th>Available Monthly Income for Housing Costs</th>
<th>Affordable Unit Sales Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low</td>
<td>$ 31,300</td>
<td>$ 2,608</td>
<td>30%</td>
<td>$ 783</td>
<td>$ 25,100</td>
</tr>
<tr>
<td>Very Low</td>
<td>$ 52,200</td>
<td>$ 4,350</td>
<td>30%</td>
<td>$ 1,305</td>
<td>$ 113,700</td>
</tr>
<tr>
<td>Low</td>
<td>$ 83,500</td>
<td>$ 6,958</td>
<td>30%</td>
<td>$ 2,088</td>
<td>$ 246,600</td>
</tr>
<tr>
<td>Moderate</td>
<td>$ 87,700</td>
<td>$ 7,308</td>
<td>30%</td>
<td>$ 2,193</td>
<td>$ 423,800</td>
</tr>
</tbody>
</table>

### Monthly Expenses at Waypointe

<table>
<thead>
<tr>
<th>Income Brackets</th>
<th>Monthly Property Taxes</th>
<th>Property Insurance</th>
<th>Utilities</th>
<th>HOA Dues + Trash</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low</td>
<td>$ 41</td>
<td>$ 10</td>
<td>$ 145</td>
<td>$ 358</td>
<td>$ 554</td>
</tr>
<tr>
<td>Very Low</td>
<td>$ 122</td>
<td>$ 26</td>
<td>$ 145</td>
<td>$ 358</td>
<td>$ 651</td>
</tr>
<tr>
<td>Low</td>
<td>$ 256</td>
<td>$ 53</td>
<td>$ 145</td>
<td>$ 358</td>
<td>$ 812</td>
</tr>
<tr>
<td>Moderate</td>
<td>$ 242</td>
<td>$ 53</td>
<td>$ 145</td>
<td>$ 358</td>
<td>$ 798</td>
</tr>
</tbody>
</table>

### Affordable Monthly Income Amounts

<table>
<thead>
<tr>
<th>Income Brackets</th>
<th>Available Monthly Income for Housing Costs</th>
<th>Monthly Expenses at Waypointe</th>
<th>Monthly Available Income for a Mortgage Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low Income</td>
<td>$ 783</td>
<td>$ 554</td>
<td>$ 229</td>
</tr>
<tr>
<td>Very Low</td>
<td>$ 1,305</td>
<td>$ 651</td>
<td>$ 654</td>
</tr>
<tr>
<td>Low</td>
<td>$ 2,088</td>
<td>$ 812</td>
<td>$ 1,276</td>
</tr>
<tr>
<td>Moderate</td>
<td>$ 2,193</td>
<td>$ 798</td>
<td>$ 1,395</td>
</tr>
</tbody>
</table>
STEPS TO OWNERSHIP

STEP 1
• MARKETING OF HOMES
• 4 WEEKS

STEP 2
• APPLICATION SUBMITTALS
• 4 WEEKS

STEP 3
• PREQUALIFY APPLICANTS
• DHI MORTGAGE

STEP 4
• CITY VERIFIES THAT APPLICANTS MEET DEFINITION OF AFFORDABLE HOUSEHOLD
• MICHAEL BAKER

STEP 5
• RANDOM APPLICANT SELECTION
• PUBLIC DRAWING EVENT

STEP 6
• SELECTED APPLICANT LOAN QUALIFICATION
• 30 DAYS

STEP 7
• BUYER CLOSES ESCROW
The City and D.R. Horton to coordinate advertising efforts of homes

The City and D.R. Horton to identify options for direct marketing to military veterans and at El Segundo Unified School District locations

Advertisements will include the following:

- A description of the application period
- Mandatory time frames
- Eligibility requirements
- A specified date for an informative workshop to be conducted by D.R. Horton with assistance from the City
- The specified date for a public event where qualified households will be drawn at random

Examples of media outlets to be used:

- Facebook, City’s website, Developer’s website, Newspapers, Eblasts, Print Ads
The date of the informative workshop will mark the start of the application acceptance period:

- The application acceptance period will be 4 weeks
- After 4 weeks, the application period will close
STEP THREE – PREQUALIFY APPLICANTS

- D.R. Horton through its in-house mortgage company, DHI Mortgage Company ("DHI Mortgage"), will review all complete applications timely submitted during the application period.

- To maintain confidentiality, each application received will be assigned a unique ID number.

- DHI Mortgage will "prequalify" households that satisfy the eligibility requirements.

- "Prequalify" ≠ loan qualification.

- The procedures and deliveries for the prequalification process are detailed in the Affordable Housing Agreement.
STEP FOUR – CITY VERIFIES THAT APPLICANTS MEET DEFINITION OF AFFORDABLE HOUSEHOLD

- All prequalified application submitted to the City
- The City will review all such applications to verify the following:
  - The applicants are qualified lower income households per HCD/HUD standards
  - Developer's determination of prequalification
  - That the home is being sold at an affordable sales price based on income qualifications
STEP FIVE – RANDOM APPLICANT SELECTION

FIRST
Create the selection pools

SECOND
Select the Qualified Households
DESCRIPTION OF SELECTION POOLS

Eligible qualified households will be selected from two pools of qualified households pursuant to the following process:

1. The first pool will consist of qualified households that are military veterans ("Military Veterans Pool")

2. The second pool will consist of qualified households that are other than military veterans ("General Pool")
SELECTION OF QUALIFIED HOUSEHOLDS

- The City's affordable housing consultant will conduct the drawing event at a public event on the date specified in the advertising materials.
- The City's affordable housing consultant shall draw at random 4 ID#'s from the Military Veterans Pool.
- All remaining ID#'s in the Military Veterans Pool will be added to the General Pool.
- The City's affordable housing consultant shall then draw each ID#'s one at a time from the combined General Pool, until done or until all ID#'s are drawn.
- The City's affordable housing consultant will record the ID#'s, creating a written list in the order they were drawn.
GENERAL RULES

• Rules in place designed to **avoid** a “conflict of interest”
• D.R. Horton **will not** be permitted to sell an affordable home to any of the following:
  o A developer or investor
  o An officer, employee, agent or consultant of D.R. Horton
  o A member of the immediate family of D.R. Horton or any officer, employee, agent or consultant of Developer
• Each prospective applicant of an affordable home will sign a conflict of interest self-certification under penalty of perjury to that effect
• Each home must be used as a primary residence
STEP SIX – SELECTED APPLICANT LOAN QUALIFICATION

• Developer shall notify the first 8 qualified households that they were randomly selected at the drawing event and given the opportunity to purchase one of the affordable homes.
• All remaining qualified households will be put on a reserve list in the order drawn.
• Each of those first 8 qualified households will have 30 days to obtain final loan approval from a lender to finance the home purchase.
• If household fails to obtain loan approval or are no longer interested/qualified, then selection moves on to next on the reserve list.
STEP 7 – BUYER CLOSES ESCROW

- Buyer’s lender funds loan
- Escrow records City affordable housing covenant
• If any qualified household from initial group of 8 qualified households fails to obtain final loan approval from its lender, then such qualified household is no longer eligible to purchase an affordable home
• D.R. Horton notifies the next qualified household on the reserve list. That qualified applicant goes through the loan approval process previously described
• D.R. Horton will move to the next qualified household on the reserve list for each initial qualified household that fails to obtain final approval from its lender
COMMUNITY SCHEDULE

8 AFFORDABLE UNITS
READY FOR HOMEOWNER OCCUPANCY IN AUGUST 2019

• Waypointe community consists of 34 units
  o 6 units are currently owner occupied
    o 5 units ready to close escrow
  o 8 units are reserved for affordable housing
  o D.R. Horton has 15 units remaining to sell
Under Development Agreement, D.R. Horton will contribute or has contributed to the City the following:

- $500,000 - Paid to the City of El Segundo
- $100,000 – Paid to City’s Aquatic Fund
- $100,000 – Paid to the El Segundo Little League
- $300,000 – Paid to City for administering affordable housing program
- $100,000 – Added by the Developer as part of the 8 units paid to the City to help fund its administration of the affordable housing program

Total Contributions: $1,100,000