

EXHIBIT G
TEHALEH HOUSING AFFORDABILITY PROGRAM

Tehaleh's designation as an Employment Based Planned Community (EBPC) ensures that a mix of housing types, sizes and densities will be developed and will provide housing for various economic segments of the Pierce County population including people employed by businesses located in Tehaleh. The Tehaleh Housing Affordability Program provided below is an attachment to the Tehaleh Development Agreement which establishes the framework and rules for the long-term development of the community.

The Housing Affordability Program has been developed based on conversations with public and private sector professionals and Pierce County policies, codes and studies related to housing affordability. The Program only applies to housing within the portion of the original Cascadia EBPC purchased by TEHALEH now known as Tehaleh. The Housing Affordability Program shall be re-evaluated and potentially modified during the project level review and approval of Phase 2 of the Tehaleh EBPC and at each subsequent periodic five year review.

RECITALS

Pierce County Comprehensive Plan Chapter 10A.70 (Housing Element) outlines a series of objectives that emphasize Pierce County's role related to community education and awareness and solutions for meeting the affordability challenges that impact Pierce County residents, including provisions for well-designed and functional housing with densities and housing types affordable to all economic segments of the County population.

Pierce County Code Title 18A.75.80 (Planned Unit Development) provides the mechanism and provisions for the approval of the Tehaleh (Cascadia) Employment Based Planned Community (EBPC). The intent of the approval is to provide a flexible zoning concept that encourages, among other things, a mix of residential and commercial uses, a variety of housing types, creativity in design, the preservation of open space and the provision of recreational amenities. Various sections of 18A.75.80 require the inclusion of housing affordable to employees within the EBPC and mechanisms to assure housing affordability is provided for a broad range of income levels.

Pierce County Code Title 18A.65 (Affordable Housing Incentives) is intended to encourage and support the development of housing affordable to households earning 80 percent or less of Pierce County Median Income (defined as Low Income housing by Federal Department of Housing and Urban Development (HUD)). The Code provisions are specific to various types of assistance and incentives that can be provided by the public sector to reduce overall housing costs and to provide funding mechanisms for the development of the Low-Income housing. For the most part, entities that benefit from the incentives included in Title 18A.65 are non-profit organizations that build relatively large scale multifamily rental projects targeted to low income households. As Tehaleh matures and transit services

are restored and expanded to serve East Pierce County, it is anticipated there will be interest from non-profit developers for projects able to take advantage of the benefits provided in Title 18A.65.

The 2007 Housing Affordability Report was developed by the Pierce County Housing Affordability Task Force, reviewed by the Pierce County Council, and resulted in revisions to Title 18A.65 that added affordable housing incentives. The Task Force was comprised of members with a broad range of interests and perspectives, including for-profit and non-profit housing developers, low income housing advocates, Realtors, housing authorities, bankers, mobile home park advocates, and elected and appointed officials from Pierce County government.

The main charge of the Affordability Task Force was to “recommend specific measures to address the affordable housing needs for all economic segments of the population with particular interest for low income populations.” The Task force noted that when housing availability for moderate and higher income categories is limited there is greater demand on the housing supply available to low income families. The Task Force explored housing affordability efforts in other jurisdictions and regions of the Country and noted that, among other things, accessory dwelling units, cottage housing, and manufactured housing all contribute to the supply of affordable housing. These housing types are expected in Tehaleh along with higher density housing types which will be added over time.

TEHALEH HOUSING AFFORDABILITY PROGRAM ELEMENTS

Tehaleh’s role is to ensure land is available and plats and site plans are designed to support housing products with various price ranges including those at the lower end of the market. Given that Tehaleh has a development horizon of approximately twenty years, diverse price and product segmentation is crucial to success in the market place and supports the goals of the Housing Affordability Program. In the early stages of development, detached single family, townhouse, and cottage development will be the predominant housing types. As Tehaleh evolves, mixed use and multifamily developments and commercial uses will be added to the community landscape. It is expected that Moderate and Median Income households will be served by the sale and rent of attached and detached single family homes and townhomes built as part of the for-profit housing market. Initially, Low Income households will likely be served by small for-sale housing clusters built by non-profit builders, and possibly for-profit builders, specializing in smaller housing products priced at the lower end of the market. Once retail and commercial services are available in Tehaleh and transportation options have expanded, higher density rental and for-sale housing eligible for public funding sources targeted to low income households may become more feasible

Tehaleh’s Housing Affordability Goals

- 10% of the residential units affordable to **Median** Income households earning between one-hundred percent (100%) and one-hundred and twenty percent (120%) of the Median Income for Pierce County.
- 10% of the residential units affordable to **Moderate** Income households earning between eighty percent (80%) and one-hundred percent (100%) of the Median Income in Pierce County.

- 10% of the residential units affordable to **Low** Income households earning less than 80% of the Median Income in Pierce County. The majority of this housing may be multi-family residential development provided by public agencies or non-profit housing developers who are able to access funding programs available through Pierce County and/or the State and/or Federal government.

The definition of affordability assumes housing prices will be affordable to households in the Low, Moderate, and Median Income categories established and adjusted annually by HUD. Median and Moderate income housing is assumed to be market rate and Low Income housing as requiring subsidies.

Housing Affordability Program Implementation

As a PUD/EBPC within the urban growth boundary, the Tehaleh land use concept includes and will continue to include a variety of high density single family detached and attached and multifamily housing types in each Phase of development. It is within these areas that the housing affordable to households with incomes in the Low, Moderate and Median Income categories will be built throughout the life of the project. The affordability goals provided above apply to the development of Tehaleh Phase I with the following caveats:

- 1) Housing prices will vary as Tehaleh develops and will be influenced by both market conditions and the type and densities of the housing built at any one time;
- 2) There may be some market periods when there is an excess of housing meeting the affordability goals and other times when a more limited supply is available. The Housing Affordability Reports described below will be prepared annually, but the overall success of the Affordability Program must be based on a long-term view as the number of homes or rentals qualifying as “affordable” in any one year may be impacted by circumstances beyond the control of Tehaleh (see Footnote 1); and,
- 3) the Low Income category is primarily dependent on public funding as well as the ability of Tehaleh, non-profit developers, and possibly Pierce County to agree on sites and terms for land sales for Low Income projects.

Successful Implementation of the Affordability Program will involve significant planning, platting, and marketing efforts by Tehaleh. In the case of Moderate and Median Income housing, Tehaleh will work to:

- 1) ensure parcels suitable for medium and high density single family attached and detached and multifamily housing are platted in a timely manner;
- 2) provide adequate access and major utilities to the parcels to allow for the cost effective and efficient planning and construction of affordable housing; and,
- 3) offer the parcels to residential builders with land pricing and terms consistent with the character of lots and the market place at the time the properties are available for purchase.

In the case of Low Income housing, Tehaleh will:

- 1) identify a “Set-Aside Parcel(s) “ with the capacity to develop the number of units required to meet the 10% goal in the Low Income category for Phase I. Place restrictions on the “Set-Aside Parcel(s)” to ensure the availability of land for the development of the housing

- 2) provide adequate access and major utilities to the “Set-Aside Parcel(s)” to allow for the cost effective and efficient planning and construction of the housing;
- 3) market the “Set-Aside Parcel(s)” to Low Income housing providers/developers;
- 4) offer the “Set-Aside Parcel(s)” with land pricing and terms consistent with the characteristics of the Parcel(s) and the market place at the time of purchase; and
- 5) work in partnership with Low Income housing developers and Pierce County staff to identify and maximize funding sources and incentives, including those provided for in Title 18A.65.

If in the course of marketing the “Set-Aside Parcel(s)”, a substitute parcel is identified as more appropriate for Low Income housing due to the interest of a non-profit developer or other development factors identified by Tehaleh, the restrictive conditions on the original “Set-Aside Parcel(s)” will be reduced or eliminated when replaced by the substitute. The sale or rental of Low Income housing in plats or projects in other areas of Tehaleh , will also be grounds for reducing or eliminating the restrictive conditions placed on the “Set-Aside Parcel(s)”.

A “Set-Aside Date” will be established for each “Set-Aside Parcel”. The definition of the “Set-Aside Date” will be two years prior to the provision of adequate access and utilities to the “Set-Aside Parcel”. The intent will be to enter into a purchase agreement with a non-profit developer of Low Income housing in a time frame that allows the infrastructure serving the Parcel to be in place by the time financing and permits are secured for the project. If a non-profit developer is not available at the “Set-Aside Date” or a purchase agreement is terminated after the “Set-Aside Date”, the “Set-Aside Parcel” will continue to be actively marketed for Low Income development.

If any “Set-Aside Parcel” is not developed or under development four (4) years from the “Set-Aside Date”, all restrictions on the Parcel will be lifted. If agreement with a non-profit developer is not possible during the four (4) year period, Pierce County will have the option of purchasing the “Set-Aside Parcel(s)” to maintain their availability for an extended period of time.

Housing Affordability Program Monitoring and Reporting

Identification of Affordable Units. Sales and rental data will be collected regularly from Tehaleh builders. Affordable units in the Low, Moderate, and Median Income categories will be identified using the Housing and Urban Development (HUD) affordability criteria listed below.

For-Sale Housing Affordability Calculation. The annual maximum price of for-sale housing available to each income category will be established assuming the following criteria:

- Median Income for Pierce County;
- 20% down-payment for Moderate and Median Income housing and a 5% down-payment for Low Income housing;
- 33 % of a household’s income going to principal and interest, property taxes, and insurance;
- a 30 year fixed rate mortgage; and
- the number of bedrooms in a home.

For-Rent Housing Affordability Calculation. The annual maximum rents for rental housing available to each income category will be established assuming the following criteria:

- Median Income for Pierce County;
- 33% of household income going to rent which may include water, sewer, garbage or other standard services provided by a landlord; and,
- the number of bedrooms in a home.

Housing Affordability Reports. Housing Affordability Reports will be prepared and submitted to PALS annually and will include, at a minimum:

- 1) the number of affordable units sold or rented in the three Income categories;
- 2) the status of the affordability totals in respect to Program goals;
- 3) a description of the previous year's efforts to meet the goals;
- 4) a review of plats and/or projects selling, under construction or in the design and entitlement process and their relationship to the affordability goals;
- 5) conclusions and recommendations for the future; and,
- 6) An Affordability Program Action Plan for the following year. The Action Plan will contain recommendations for actions designed to achieve the goals for the following year. The Plan will be subject to the review and approval of PALS. If PALS and Tehaleh cannot agree on the content of the Plan or if issues arise between PALS and Tehaleh in regard to the Plan, the matter will be forwarded to the Hearing Examiner for resolution.

A Housing Affordability Section will also be included in each "Five Year Review" prepared for PALS and sent to the Hearing Examiner. The Section will summarize the information provided in the Annual Reports and the actions to be taken going forward. Disagreements between PALS and Tehaleh, if any, will be resolved by the Hearing Examiner.

Tehaleh will be responsible for providing both the annual and Five-Year Reports for the duration of the build out of the Tehaleh. Records to determine compliance with the pricing and rental provisions of the Housing Affordability Program will be available for review upon written request of Pierce County. In order to maintain confidentiality for land owners and residents, records used to prepare the annual reports will be made available for Pierce County's review at the developer's offices but will not be released to other parties.

Footnote

1. There are many factors that affect the cost of housing that are out of the control of developers. For example, there may be:
 - a) homes for sale and/or rent that meet the affordability criteria but due to market conditions buyers or renters are limited;
 - b) homes with base pricing that meets the affordability criteria but buyers choose to add upgrades thereby increasing the final price of the home; and,

- c) periods of economic distress caused by national and international conditions such as inflation, high interest rates, and inflated material and construction costs that impact the end price or rental rate of homes.