

## **Methodology for Determining Maximum Affordable Homeownership Unit Sales Price**

The following steps explain the City of Campbell’s methodology used to determine the maximum affordable homeownership unit sales price for newly constructed units.

### **Step 1 – Determine Income Level and Number of Bedrooms**

Consult with a Land Use Attorney and/or City Planner for assistance determining the number, type, and distribution of units required for your project based on the requirements of the City’s [Inclusionary Housing](#) and/or [Density Bonus Ordinance](#). Once the level of affordability and bedroom count for a specific unit has been determined, advance to Step 2.

### **Step 2 – Determine the Household Income Limit**

Household Income Limits as published annually by the [State of California](#) and [County of Santa Clara](#) shall be the basis by which affordable ownership costs on new for-sale affordable housing units are determined. These household income limits include:

Very Low Income	Low Income	Moderate Income
Approximately 50% of County Area Median Income (AMI)	Approximately 80% of County Area Median Income (AMI)	Approximately 120% of County Area Median Income (AMI)

For the purposes of this section, the number of bedrooms in a unit is used to determine the maximum household (HH) size which relates to the maximum income limit on a bedroom count + 1 basis.

Example: For the purpose of calculating price, a 3-bedroom townhome unit shall be assumed to have a household size of 4 (3+1). A studio which has no bedrooms shall be assumed to have a household size of 1 (0+1).

### **Step 3 – Determine Maximum Affordable Housing Payment (AHP)**

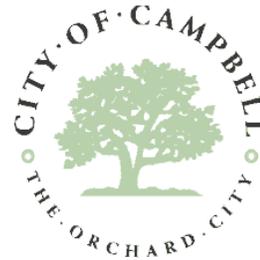
Based on the maximum income limit determined in Step 2, an affordable homeownership percentage shall be assessed to determine the maximum affordable housing payment. Note: For Very-Low, Low, and Moderate-Income Households AHP is determined using a formula that involves a percentage of the published Area Media Income (AMI).

Very Low Income	Low Income	Moderate Income
1/12 <sup>th</sup> of 30% of Income Limit	1/12 <sup>th</sup> of 30% of 70% of AMI	1/12 <sup>th</sup> of 35% of 110% of AMI

Example: For a 3-bedroom very-low income townhome unit with a maximum household income of \$78,950 the maximum affordable housing payment is calculated as follows:  
 $\$78,950 \times .30 = \$23,695 / 12 = \$1,973.75$

### **Step 4 - Account for Non-Mortgage Payment Assumptions**

Subtracted from the Affordable Housing Payment (AHP) shall be an assumption of 30% of the Affordable Housing Payment plus the [Published County Utility Allowance](#) for the current year applicable to the project,. Utility allowances for units shall assume electric air and water heating (in accordance with CC Ordinance 2260), the gas utility rate for cooking appliances, and include all water, sewer, trash collection, range/microwave, and refrigerator allowances in the total based on the applicable unit type. Further, a Homeowner Association (HOA) fee of **\$284.87** shall be assumed as an additional non-mortgage factor



regardless if the project has no HOA fee and/or a lower/higher HOA fee. This fee is based on a study of HOA fees indicated in unit closing costs based on the prior three years. As such, the current dollar amount is based on HOA fees included in the closing price of BMR units 2017-2019 period. This study shall be updated annually.

Affordable Housing Payment (AHP)	30% of AHP plus Utility Allowance <sup>1</sup> plus HOA Fee	Remainder of AHP available for Mortgage Payment
\$1,973.75	\$30% of AHP + Utilities + HOA Fee = 'Y'	\$1,973.75 - 'Y' = 'Z'

Example: For a 3-bedroom very low-income townhouse with a maximum affordable housing payment of \$1,973.75 would be reduced by \$1,182.00 (\$592.13 + \$305 + 284.87 = 'Y'). This results in the remainder of Affordable Housing Payment (AHP) available for Mortgage Payment or \$791.76 (i.e. 'Z').

**Step 5 – Determine Mortgage Payment Assumption & Maximum Sales Price**

The remaining AHP available for Mortgage Payment shall be used to calculate the Maximum Affordable Sales Price. Regardless of the term limit, money down, and interest rate secured by an individual, the maximum sales unit sales price for the unit 'pool' shall be determined based on an 30-year fixed term and annual average interest rate from the previous year as published online ([Freddie Mac Published Interest Rate](#)) shall be used to determine the maximum unit sales price. Further, for the purposes of this calculation, no money down, points, origination fees etc. shall be assumed as being necessary to secure the average annual interest rate.

Remaining AHP available for Mortgage for a Very-Low Income Household	Average Freddie Mac 30-Year Fixed Interest Rate for Previous Year	Maximum Affordable Sales Price for a Very Low-Income Household
\$791.76	3.94%	\$167,050

Example: Based on a remaining APH of \$791.76 for mortgage payment and assuming a 30-year loan at a 3.94% interest rate the maximum loan of \$167,050.06 (see 'Pricing Calculator'). For simplicity, the maximum sales price shall be the maximum loan amount up and/or down to the closest dollar amount. In this example, the final dollar amount would be rounded down to \$167,050.

**Step 6 – Account for Transaction Fee**

A 3% Transaction Fee to the Program Administrator is added to the Sales Price to cover the cost of managing the applicant pool, process and underwrite applications for eligibility, and as a contribution toward the annual compliance labor associated with the restriction agreement (i.e. 45-year restriction on resale).

Maximum Affordable Sales Price	Transaction Fee	Final Sales price (Rounded)
\$167,050	\$5,011.50	\$172,062

Note: Transaction fees are added on 'top' of the maximum affordable sales price and will be taken from sellers proceeds for the unit at close of escrow. As such, while the unit will sell for \$172,062 in the scenario, the developer will only receive 167,050 in profit. Note: The transaction fee shall not be rounded.

<sup>1</sup> Note: No cost basis is assumed for maintenance. Deferred maintenance to be addressed the time of sale.  
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