

Arundel Community Development Services, Inc.

WORKFORCE HOUSING CONDITIONAL USE REQUIREMENTS

Bill 54-19

§ 18-10-166 of the Anne Arundel County Code (2005, as amended)

July 2023

HOMEOWNERSHIP REQUIREMENTS

INCOME

At least 40 percent of the dwelling units must be made available to households with an income that does not exceed 100 percent of the area median income (AMI) adjusted for household size for the Baltimore Metropolitan Statistical Area. The 100 percent AMI limits will be calculated by ACDS each year based upon the 80 percent AMI limits published annually by the U.S. Department of Housing and Urban Development (HUD). The original purchasers and any purchasers during the control period of the Restricted Units (RU) must be a graduate of the Arundel Community Development Services, Inc. (ACDS) Homeownership Counseling Program. In addition, the purchaser must have an income certification from ACDS to demonstrate their eligibility to purchase the unit. The household income will be determined in accordance with the method defined by and published by HUD in the "Technical Guide for Determining Income and Allowance for the HOME Program," third edition, January 2005.

<https://files.hudexchange.info/resources/documents/HOMEGuideForIncomeAndAllowances.pdf>

CONTROL PERIOD

The RUs must remain affordable for 10 years from the original sale of the unit. This control period will be enforced through a covenant that will be placed on the property. This covenant will restrict sale of the unit to a household of 100 percent and below AMI and will adjust the sale price for the unit based on an annual two percent fixed rate multiplier. This multiplier may be adjusted by ACDS during the control period based on economic conditions. If the unit is sold during this control period, it must meet minimum property standards, as defined by ACDS. These minimum property standards will include such items as: (i) the residence must be free of water infiltration and the roof age must be within its life rating; (ii) the HVAC plumbing and electrical systems must be operational; (iii) appliances must be in good working conditions; and (iv) the interior paint and floor coverings must be in-like new condition.

RESTRICTED UNITS MAXIMUM SALES PRICE

The house price limits for RUs will be set based on a house price affordable to a household earning 80 percent AMI as defined annually by HUD. The house price limits for RUs will be adjusted by the size of the unit based on the number of bedrooms. To calculate the house price,

the number of bedrooms will be multiplied by 1.3, rounded to the nearest whole number in order to determine the household size for income calculation.

- 1-bedroom x 1.5 = 2 person household
- 2-bedroom x 1.5 = 3 person household
- 3-bedroom x 1.5 = 4 person household
- 4-bedroom x 1.5 = 5 person household

The annual household income will then be divided by 12 in order to determine the monthly household income. This monthly income will then be multiplied by 30 percent (industry standard to determine affordability) to establish the maximum monthly housing expense. Once this expense has been determined, 22 percent of the maximum monthly housing expense will be subtracted to account for property taxes, insurance, homeowners' association fees and private mortgage insurance. This percentage is based on the County's current tax rate and average homeowners' association fees in the County. The 22 percent may be adjusted periodically by ACDS based on changing County economic conditions. These calculations establish the maximum household income that is available for monthly mortgage principal and interest payment.

The maximum mortgage amount for a RU is then established using a standard mortgage formula, which assumes an average of (i) the current national mortgage rate; (ii) the lowest national interest rate; and (iii) the highest national interest rate for the previous 52 weeks for a 30-year fixed rate loan (rounded up), as published in the *Mortgage News Daily*.

As a typical FHA mortgage loan requires a 3.5 percent down payment, the RU maximum sales price will be calculated by dividing the maximum mortgage amount by .965. This number is then rounded down to establish the maximum sales prices for a RU.

This maximum sales price will be adjusted annually by ACDS on or about June 1st. The maximum sales price in effect at that time will be applied to the WHU at the time of sale.

DESIGN REQUIREMENTS

1. Duplex, semi-detached, single family, detached, and townhouse RUs must have two or more bedrooms.
2. The number of one-bedroom RUs in a multi-family dwelling unit may not exceed the ratio that market rate one-bedroom units respectively have to the total number of market rate units in the development.
3. To the extent feasible, the RUs must evenly distribute throughout the development.

4. The RUs must be architecturally similar in size to the market rate units in the development.
5. The exterior construction material, finishes, and landscaping must be comparable quality and generally indistinguishable in exterior appearance with the base as the market rate units.
6. Although the RUs can have reduced interior finishes and features than the market rate units, the RUs must be good quality and functionally equivalent to the market rate units. The reduction to the interior amenities may not include a reduction in improvements related to energy efficiency, heating and cooling equipment, and plumbing and electrical systems.

PROCESS

Prior to submitting a site development or a subdivision application with the County, the applicant must meet with ACDS to review the requirements for RUs and the process for implementing these requirements. The developer will be required to enter into a Development Agreement with the County prior to site development or final plat approval. This Agreement will define the number of RUs, construction schedule, the type and location of the RUs and any other requirements for RUs. The RUs also must be noted on the record subdivision plat or site development plan, whichever is applicable and a covenant recorded in the County Land Records.

RENTAL REQUIREMENTS

INCOME

At least 60 percent of the rental units must be made available to households with an income that does not exceed 60 percent of the AMI adjusted for household size for the Baltimore Metropolitan Statistical Area. The eligible tenant must have an income certification from ACDS to demonstrate their income eligibility to rent the unit, unless the development is financed through the Low Income Housing Tax Credit (LIHTC) program and has compliance and monitoring requirements in place that ensure income limits will be met for the entire Control Period, as defined below. The household income will be determined in accordance with the method defined by and published by HUD in the "Technical Guide for Determining Income and Allowance for the HOME Program," third edition, January 2005.

RENTAL LIMITS

The rent limit for RUs will be equal to the rents published on an annual basis for the Low Income Housing Tax Credit Program (LIHTC) by the State of Maryland Department of Housing and Community Development for households with income at 60 percent AMI by bedroom size. These rent rates will be published on an annual basis.

CONTROL PERIOD

A RU rental unit must remain affordable for 30 years from the date of occupancy. This control period will be enforced through a covenant that will be placed on the property. Compliance with the income and rent requirements will be monitored annually by ACDS. If the development is already subject to income compliance monitoring due to project financing, ACDS may waive its requirement to conduct separate monitoring for Workforce Housing Units. If someone who is in a RU rental unit household income increases above 60 percent AMI, the tenant may continue to reside in the unit and the owner may raise the rent of that unit above the rental limits for the RUs. However, the next available unit must be rented to a household with an income of 60 percent or below AMI.

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EFFECTIVE DATE

The effective date of this Workforce Housing Conditional Use Policies and Procedures shall be April, 2022.

Erin Karpewicz, Chief Executive Officer

Date

[https://acdsinc.sharepoint.com/sites/acdsdocuments/planning/planning documents/workforce housing policy development/wfh_conditional use requirements_published by opz june.2023.docx](https://acdsinc.sharepoint.com/sites/acdsdocuments/planning/planning%20documents/workforce%20housing%20policy%20development/wfh_conditional%20use%20requirements_published%20by%20opz%20june.2023.docx)

WORKFORCE HOUSING PROGRAM

Calculation of Maximum Sales Price Worksheet (100% AMI)

STEP ONE: DETERMINE HOUSEHOLD SIZE

Calculate Household Size by Multiplying Number of Bedrooms by 1.5 Occupants

Number of Bedrooms	Household Size
1	2
2	3
3	4
4	5

STEP TWO: DETERMINE MAXIMUM ANNUAL HOUSEHOLD INCOME

Use 80 Percent AMI, as published annually by the U.S. Department of Housing and Urban Development (HUD), to Ensure Adequate Pool of Purchasers

Number of Bedrooms	Household Size	Maximum Annual Household Income
1	2	\$75,750
2	3	\$85,200
3	4	\$94,650
4	5	\$102,250

STEP THREE: ESTABLISH MONTHLY HOUSEHOLD INCOME

Calculate Monthly Household Income by Dividing Maximum Annual Household Income by 12

Number of Bedroom	Income Limits at 80% AMI	Monthly Household Income
1	\$75,750	\$6,313
2	\$85,200	\$7,100
3	\$94,650	\$7,888
4	\$102,250	\$8,521

STEP FOUR: CALCULATE MAXIMUM HOUSING COST ALLOWANCE

Calculate Maximum Housing Cost Allowance by Multiplying the Monthly Household Income from Step Two by 30%

Number of Bedrooms	Monthly Household Income	Maximum Housing Cost Allowance
1	\$6,313	\$1,894
2	\$7,100	\$2,130
3	\$7,888	\$2,366
4	\$8,521	\$2,556

STEP FIVE: CALCULATE AFFORDABLE HOUSING PRINCIPAL AND INTEREST PAYMENT

Typical Housing Expenses such as Property Taxes, HOA Fees, Condo Fees and PMI Must be Subtracted from Maximum Housing Cost Allowance to Determine Amount Available for Mortgage Principal and Interest Payment (22% of Housing Cost Allowance)

Number of Bedrooms	Maximum Monthly Housing Cost Allowance	Housing Expenses (22% of Housing Cost Allowance)	Income Available for Mortgage Principal and Interest Payment
1	\$1,894	\$417	\$1,477
2	\$2,130	\$469	\$1,661
3	\$2,366	\$521	\$1,845
4	\$2,556	\$562	\$1,994

STEP SIX: CALCULATE MAXIMUM MORTGAGE AMOUNT

Calculate Mortgage Amount Based on Total Income Available for Principal and Interest Payment Using: Mortgage Interest -6.45%
 Mortgage Term - 30 years*

Number of Bedrooms	Income Available for Mortgage Principal and Interest Payment	Maximum Mortgage Amount
1	\$1,447	\$234,898
2	\$1,661	\$264,161
3	\$1,845	\$293,424
4	\$1,994	\$317,120

* $P = (r * A) / (1 - (1+r)^{-N})$ Where, P = Payment Amount A = Loan Amount r = Rate of Interest (compounded) N = Number of Payments Rate of Interest Compounded

STEP SEVEN: CALCULATE SALES PRICE

Calculate Sales Price Based on Adding the Required Down Payment to the Maximum Mortgage Amount. The required down payment amount will be the FHA insured mortgage down payment amount, which is currently equal to 3.5 percent of the sales price.

Number of Bedrooms	Income Available for Mortgage Principal and Interest Payment	Maximum Mortgage Amount	Sales Price (Mortgage Amount Divided by .965)	Maximum House Price
1	\$1,447	\$234,898	\$243,418	\$243,000
2	\$1,661	\$264,161	\$273,742	\$274,000
3	\$1,845	\$293,424	\$304,066	\$304,000
4	\$1,994	\$317,120	\$328,622	\$329,000

[https://acdsinc-my.sharepoint.com/personal/chall_acdsinc_org/Documents/WFH_Conditional Use Requirements_published by OPZ June.2023.docx](https://acdsinc-my.sharepoint.com/personal/chall_acdsinc_org/Documents/WFH_Conditional%20Use%20Requirements_published%20by%20OPZ%20June.2023.docx)