Arundel Community Development Services, Inc.

Bill 92-25
Anne Arundel County Cottage Home Developments
Effective Date: April 12, 2026

PROGRAM POLICY
ESTABLISHING INITIAL SALES PRICE AND HOUSEHOLD INCOME LIMITS FOR COTTAGE HOME DWELLING UNITS

Effective October 12, 2026

The following are the requirements for establishing the Initial Sales Price of For-Sale Units subject to the Anne Arundel County Cottage Home Provision.

1. GROSS HOUSEHOLD INCOME LIMIT

Cottage Home Dwelling Units must be made available for sale to households with a Gross Household Income that does not exceed 100% of the area median income (AMI) adjusted for household size for the Baltimore Metropolitan Statistical Area. [Anne Arundel County Code Section 17-7-1303(b)(4)(I)]. The 100% AMI Gross Household Income limits are detailed in the table below:

Household Size	Maximum Annual Household Income – 100% AMI (Effective Date: June 1, 2026)
1	$93,500
2	$106,813
3	$120,188
4	$133,500
5	$144,188

Although households with Gross Household Incomes up to 100% AMI are eligible to purchase Cottage Home Dwelling Units, the Gross Household Income used to establish sales price limits will be calculated by Arundel Community Development Services, Inc. (ACDS) each year based upon the 80 percent AMI limits published annually by the U.S. Department of Housing and Urban Development (HUD) [Anne Arundel County Code Section 17-7-1303(b)(5)]. The 80% AMI Gross Household Income limits are detailed in the table on the following page:

Household Size	Maximum Annual Household Income – 80% AMI (Effective Date: June 1, 2026)
1	$74,800
2	$85,450
3	$96,150
4	$106,800
5	$115,350

A household is eligible to purchase a Cottage Home Dwelling Unit if ACDS has issued a valid Certificate of Eligibility stating that the household's Gross Household Income meets Cottage Home Development requirements. [Anne Arundel County Code Section 17-7-1303(b)(4)(II)].

COTTAGE HOME UNIT INITIAL SALES PRICE

The Initial Sales Price of Cottage Home Dwelling Units will be set annually by ACDS within approximately 30 days of AMI limits being published annually by the U.S. Department of Housing and Urban Development. [Anne Arundel County Code Section 17-7-1303(b)(5)]. The Initial Sales Price is based on the number of bedrooms in the Cottage Home Unit, and is subject to an absolute cap. The cap on the Initial Sales Price of a Cottage Home Dwelling Unit is the price that a 4-person household earning 80% of AMI can afford. [Anne Arundel County Code Section 17-7-1303(b)(5)]. As detailed below in Step Seven, the maximum Initial Sales Price of a Cottage Home Dwelling Unit is:

$397,000

Notwithstanding anything in this policy, the maximum Initial Sales Price of a Cottage Home Dwelling Unit shall not exceed the initial sales price for market rate units in any development.

ACDS will use the following Seven Step Methodology to set the Initial Sales Price for a Cottage Home Dwelling Unit:

STEP ONE: DETERMINE HOUSEHOLD SIZE

Household Size is determined according to number of bedrooms using the table on the following page:

Number of Bedrooms	Household Size
1	2
2	3
3	4

4	5

STEP TWO: DETERMINE MAXIMUM ANNUAL HOUSEHOLD INCOME

Use 80% AMI, as published annually by the U.S. Department of Housing and Urban Development (HUD).

Number of Bedrooms	Household Size	Maximum Annual Household Income (Effective Date: June 1, 2026)
1	2	$85,450
2	3	$96,150
3	4	$106,800
4	5	$115,350

STEP THREE: ESTABLISH MONTHLY HOUSEHOLD INCOME

Calculate Monthly Household Income by dividing Maximum Annual Household Income by 12.

Number of Bedrooms	Income Limits at 80% AMI	Monthly Household Income
1	$85,450	$7,121
2	$96,150	$8,013
3	$106,800	$8,900
4	$115,350	$9,613

STEP FOUR: CALCULATE MAXIMUM HOUSING COST ALLOWANCE

Calculate Maximum Housing Cost Allowance by multiplying the Monthly Household Income from step three by 35%.

Number of Bedrooms	Monthly Household Income	Maximum Housing Cost Allowance
1	$7,121	$2,492
2	$8,013	$2,805
3	$8,900	$3,115
4	$9,613	$3,365

STEP FIVE: CALCULATE AFFORDABLE HOUSING PRINCIPAL AND INTEREST PAYMENT

Additional Housing Expenses (e.g. Property Taxes, HOA Fees, Condo Fees, and PMI) must be subtracted from Maximum Housing Cost Allowance to determine Income Available for Mortgage Principal and Interest Payment. ACDS requires that Additional Housing Expenses be calculated as 22% of Maximum Housing Cost Allowance.

Number of Bedrooms	Maximum Monthly Housing Cost Allowance	Additional Housing Expenses (22% of Housing Cost Allowance)	Income Available for Mortgage Principal and Interest Payment
1	$2,492	$548	$1,944
2	$2,805	$617	$2,188
3	$3,115	$685	$2,430
4	$3,365	$740	$2,625

The 22% allowance for Additional Housing Expenses is based on the County's current property tax rate and estimates for insurance, homeowners' association fees, and private mortgage insurance. This allowance may be adjusted periodically by ACDS based on changing County economic conditions.

STEP SIX: CALCULATE MAXIMUM MORTGAGE AMOUNT

Calculate Maximum Mortgage Amount based on Income Available for principal and interest payment using:

Mortgage Interest Rate: 6.51%*
Mortgage Term: 30 years

Number of Bedrooms	Income Available for Mortgage Principal and Interest Payment	Maximum Mortgage Amount**
1	$1,944	$307,242
2	$2,188	$345,805
3	$2,430	$384,053
4	$2,625	$414,872

**Calculated based on mortgage calculator: https://bretwhissel.net/amortization

*The Mortgage Interest Rate is determined by calculating an average of (i) the current national mortgage rate (6.65%); (ii) the lowest national interest rate for the previous 52

weeks (5.99%); and (iii) the highest national interest rate for the previous 52 weeks for a 30-year fixed rate loan (6.88%) as published in the *Mortgage News Daily*.

STEP SEVEN: CALCULATE INITIAL SALES PRICE

Calculate Initial Sales Price by dividing the Maximum Mortgage Amount by 0.965 and rounding the result down to the nearest $1,000. As noted above, the maximum Initial Sales Price for any Cottage Home Dwelling Unit is the Initial Sales Price affordable to a 4-person household earning 80% AMI, based on the household size and number of bedrooms, i.e. a 3-bedroom unit.

Number of Bedrooms	Maximum Mortgage Amount	Initial Sales Price (Maximum Mortgage Amount Divided by .965)	Initial Sales Price (Rounded Down)
1	$307,242	$318,385	$318,000
2	$345,805	$358,347	$358,000
3	$384,053	$397,982	$397,000
4 and above			$397,000

The use of .965 as a factor to calculate the Initial Sales Price reflects the prevailing down payment requirement for an FHA mortgage loan.

EFFECTIVE DATE

The effective date of this Policy shall be October 12, 2026.

Erin Karpewicz, Chief Executive Officer

10/12/2026
Date