

## **BARNSTABLE COUNTY HOME CONSORTIUM**

### **AFFORDABLE SALES PRICE METHODOLOGY**

**ADOPTED JUNE 17, 2004**

The following is the methodology the Consortium uses to calculate the affordable sales prices for home ownership developments seeking HOME funds. *A sample spreadsheet is attached as an example of the methodology only.*

Household income: In order to provide a marketing window, the sales price must be affordable to a household at 70% of area median income, adjusted for household size.

Household size: Assume a household size of one person more than the number of bedrooms, i.e. 3 person for a two bedroom unit, 4 persons for a three bedroom unit, etc.

Housing expense: For fee simple ownership, assume a maximum of 30% of household income available for mortgage, real estate taxes, house insurance, homeowners association or ground lease fee, if any, and private mortgage insurance.

For condominium ownership, assume a maximum of 33% of household income available for mortgage, real estate taxes, renters insurance, private mortgage insurance, condominium fee, and ground lease fee if any. The higher ratio reflects that the condominium fee typically includes expenses- reserves for replacement of windows, roofs, siding; exterior/painting; common area maintenance; and perhaps water and sewer charges- that a fee simple owner incurs but that are not included as a housing expense.

Real estate taxes: Use the current Town tax rate in which the development is located and assume an assessment of the sales price as the assessed value.

House and renter insurance: Use comparables from recently completed projects.

Private mortgage insurance: Assume .006 of the mortgage amount.

Condominium fee: Determine on a case by case basis depending upon what the fee covers.

Mortgage rate: One half point higher than the average of 30 year no point fixed rates from at least four banks with offices on the Cape. The 1/2 point increase provides a cushion in case rates rise in the period from time of commitment of funds to actual construction and sale. Staff will use the average of the rates from at least three points in time after application submission, e.g. date of application, 1 week later, 2 weeks later.

Down payment: 5% down, and a 95% first mortgage.

Sales Price: For one bedroom units, the average of 1 & 2 person households; for two bedroom units, the average of 2, 3, & 4 person households; for three bedroom units, the average of 3, 4, & 5 person households; and for four bedroom units, the average of 4, 5, & 6 person households.