

1920 Gamel Way - FAQs

September 28, 2021

1) How are HOA fees factored into determining an affordable cost?

The affordable sales price for a BMR unit is determined based on a total monthly affordable housing cost that is no greater than 30% of the top of the annual income range that the household's income falls within. Both State law and the City's BMR ordinance have specific requirements for the sale price of units in each affordable housing category and buyers have to income-qualify to be able to purchase units based on the sale price. Before determining the amount the household can put towards a mortgage, expenses including HOA dues, utilities, taxes, and insurance are subtracted from the affordable housing cost. Initial HOA dues are set by the developer in the CC&Rs. An example calculation is included below.

Example Sales Price Calculation	
Unit size: 2 bedrooms	
Assumed Household Size: 3 people	
2021 50% of AMI (VLI) for a 3 person household: \$74,600	
Monthly Affordable Housing Cost (1/12 x 30% x 50% AMI)	\$1,865 per month
Taxes, Utilities, Insurance, HOA Dues:	\$600 per month
Available for Monthly Mortgage Payments	\$1,265 per month
Supportable Mortgage (30-Year Fixed-Interest Rate 3%)	\$300,045
Typical Assumed Down Payment @ 5%*	\$16,669
Affordable Sales Price	\$316,714

** Actual down payment may be less. Down payment assistance programs may be available to lower the down payment amount.*

2) What happens if HOA fees increase? Or if there is an assessment on owners?

Maintaining housing affordability due to HOA fee increases or assessments is a challenge. As part of BMR Phase II modifications, developers are required to include an HOA reserve for units less than 80% AMI to pay for increases in HOA over time. This requirement was based on evaluation that maintaining homeownership for households earning less than 80% AMI is difficult if HOA dues increase. The Gamel Way development does not include an HOA reserve requirement because it is not subject to Phase II requirements. If HOA fees increase significantly over the years or if there is a high special assessment, it

could impact the financial sustainability of homeownership for the BMR households, especially for very low income households (i.e. 50% AMI households). Staff has reviewed external resources that could be available to help BMR households pay for future HOA fee increases. To date, external resources have not been identified.

- 3) What if residents with a right of return have difficulty obtaining a loan to purchase a unit?

The affordable units will be administered by the City's BMR Administrator, HouseKeys, Inc. HouseKeys will be responsible for facilitating the sale of the Gamel Way BMR ownership units to eligible purchasers. HouseKeys has extensive experience guiding buyers throughout the purchase and sale process, working directly with a list of lenders who have experience with income restricted properties and lending to lower-income households, and connecting households to additional resources to begin the process of becoming down payment ready. HouseKeys will help tenants navigate down payment assistance opportunities. Staff are also evaluating other down payment assistance as part of displacement response strategy work.

- 4) To whom can low income residents sell their property if they wish to leave?

These units are required to stay affordable in perpetuity and must be sold to income qualifying households.

- 5) How will resale prices be determined, and who will manage this?

Per the City's BMR Phase II Guidelines re-sale prices are determined as follows. The City will set the sales price as the lowest of: the market value; the purchase price paid by the seller, plus one-third of the increase (during the period of seller's ownership) in a CPI, All Urban Consumers, San Francisco-Oakland-San Jose, published by the U.S. Department of Labor, Bureau of Labor Statistics; or an amount equal to the price affordable to household earning the income level specific to the BMR unit. HouseKeys manages the resale process.

- 6) Are very low income owners expected to have a reserve for appliance replacement or other repairs?

With regards to HOA covered repairs that are external to the physical unit, see response to question 2. While there isn't a requirement for the household to set aside funds for appliance replacement or other repairs, households would be responsible for those costs (such as fixing or replacing a refrigerator).

7) Has there been thought to having a nonprofit own these units and rent them?

There would need to a nonprofit organization who does this type of work and has the capacity to manage the program. Staff is not currently aware of an organization that does this. Additionally, this concept would have to be studied further to make sure it meets the City and State BMR and replacement requirements.

8) How could non-profit ownership be financed?

Staff has not identified a source that would provide funding for non-profit ownership of units in a mixed market-rate project.

9) What is a hypothetical sale price for a low income or very low income unit?

Using the same methodology as described in the response to question 1, the table below provides additional examples of sales prices based on AMI levels, unit size, and presumed household size. Estimated sales prices based on current income limits and interest rates are included here as an example. Actual sales prices may vary based on the variables in place at the time of the sale. As is the case under SB 330, the sales price is determined by a pre-set income level, not the actual income level of a buyer. Therefore, a buyer would have to meet the income qualifications to purchase the unit.

Unit Income Designation and Size	Household Size	Annual Income	Affordable Sales Price	Monthly Affordable Housing Cost (includes HOA, mortgage payments, insurance, taxes, utilities, interest rate)
VLI (50% AMI) 1 bedroom	2	\$66,300	\$264,763	\$1,658
VLI (50% AMI) 2 bedroom	3	\$74,600	\$316,714	\$1,865
LI (80% AMI) 1 bedroom	2	\$94,200	\$439,393	\$2,355
LI (80% AMI) 2 bedroom	3	\$106,000	\$513,521	\$2,650

10) How will low income residents come up with a down payment?

Typically, lenders that lend to income restricted properties require less than a standard down payment. Instead, they generally require down payments of 10% or less. Additionally, multiple down payment assistance programs may be available to lower the down payment further. These resources can result in a lower down payment that the household would need to provide to purchase a BMR unit. HouseKeys will work with the households to connect them to financial resources and programs. Additionally, staff is evaluating options to facilitate homeownership, including down payment assistance programs that can provide additional support towards a down payment.

11) When will the public be provided with more information?

A tenant meeting via Zoom was held on September 22, 2021 from 6-8pm. Information about this meeting was mailed out to the tenants by September 14, 2021 and Spanish translation was available. A total of 16 people attended the meeting. Participants had many questions (that were answered at the meeting and included in this FAQ) and were appreciative of the City's efforts.

12) What will happen if generally people at low income levels are not able to obtain a down payment and an approved loan?

HouseKeys will help navigate tenants through the process. See responses to question 3 and question 10 about lending and down payment assistance. For those households who cannot purchase a home, HouseKeys can also connect them to rental opportunities within the BMR program.

13) What rights will the children of original occupants have to continue to live in the units if they wish to?

The BMR homeowner is required to live in the BMR ownership unit as their primary residence. However, transfer of title upon an Owner's death to a surviving joint tenant, such as a child or spouse, is permitted under the BMR program. In the case of inheritance, and the children are not currently residents of the property, the City would determine if the inheriting household is an eligible household under the BMR program to own the home. Otherwise the home would need to be sold to an eligible household.