



# Inclusionary Housing Sales Price Calculation Methodology

Updated 2.2021

The following methodology is used to determine the maximum allowable sales price for new affordable homes. Affordable prices are updated quarterly and can be found in the two pricing sheets 1.) low/moderate and 2.) middle income available at [www.boulderaffordablehomes.com](http://www.boulderaffordablehomes.com).

## 12.1 Maximum Sales Price for Permanently Affordable Dwelling Units

To determine the maximum allowable sales price that may be charged for a new permanently affordable for-sale home, the following variables regarding unit size, unit configuration, household size and income shall be used:

**Affordable Unit Characteristics and Price**

Minimum Floor Area (Square Feet)	Maximum Floor Area (Square Feet)	Household Size Income	Minimum Bedrooms	Minimum Bathrooms	Price
501	600	.75	0	1	HUD Low Income Limit
701	800	1	1	1	HUD Low Income Limit
901	1,000	2	2	1.5	HUD Low Income Limit
1,001	1,100	3	3	2	HUD Low Income Limit
1,301	1,400	4	4	2	HUD Low Income Limit
601	700	.75	0	1	80%, 100%, 120% AMI
801	900	1	1	1	80%, 100%, 120% AMI
1101	1200	2	2	1.5	80%, 100%, 120% AMI
1401	1500	3	3	2	80%, 100%, 120% AMI
1601	1700	4	4	2.5	80%, 100%, 120% AMI

The following methodology is used to determine the maximum allowable sales price for new affordable homes.

- a. *Low/moderate-income prices are based on the mortgage payment affordable to a household earning the US Department of Housing and Urban Development*

*(HUD) determination of low income for the region containing the Boulder PMSA. Middle-income prices are based on the mortgage payment affordable to a household earning between eighty percent (80%) and one hundred and twenty percent (120%) of the area median income as determined by HUD. Income limits to purchase the homes are set higher than those used to determine the permanently affordable prices. This “window” between the income used to price homes and the income limit for households purchasing the homes increases the range of households financially able to purchase the homes.*

- b. The maximum sales price is calculated based on estimates of principal, interest, taxes, insurance, private mortgage insurance and an adjustment that represents homeowner’s association dues and unit type. The resulting monthly mortgage payment for low/moderate-pricing may not exceed twenty-eight percent (28%) of gross monthly household income and for middle-income pricing may not exceed thirty (30%) of gross monthly household income.*
- c. Taxes, insurance and private mortgage insurance are calculated to be a percentage of the affordable housing payment as determined annually by the city manager.*
- d. The maximum sales price is based on a thirty-year fixed-rate mortgage at prevailing interest rates. A five percent (5%) down payment is assumed.*
- e. The HOA and unit type estimate is a reduction to the sales price intended to account for HOA dues and to differentiate between “detached”, “attached” and “townhome and small attached unit” types as determined annually by the city manager.*
- f. Maximum sales prices are determined based on a fixed number of people per bedroom. The actual number of persons in a household can vary.*
- g. The bolded sales price on the inclusionary pricing sheet is the base price for a unit with a set number of bedrooms and bathrooms per the “Affordable Unit Characteristics and Price” chart and is the price required per chapter 9-13. Adjustments to that price are made for variations in unit size and number of bathrooms.*
- h. Mortgage interest rates are calculated quarterly. Pricing is based on an eighteen-month trailing interest rate average.*
- i. The Maximum Allowable Sales Prices (MASP) for permanently affordable ownership units are finalized when the first interim or affordable covenant is signed for the affordable unit. The MASP is not a guaranteed price for the affordable units.*

- j. If a covenant is signed after the development has received a building permit and/or certificate of occupancy, the MASP for permanently affordable ownership dwelling units will be based on the pricing in place when the first residential building permit was issued for the development.*
- k. The price sheet and methodology for the pricing sheet will be reviewed and adjusted as needed by the city manager.*
- l. The maximum allowable sales price for a permanently affordable unit may be adjusted by the city manager when a developer provides a one- or two-car garage. The garage must be a fully enclosed structure, a minimum of two hundred fifty-two (252) square feet, designed to house one or more automobiles, sold with the permanently affordable unit and with access controlled by the unit owner.*