

# Workforce Housing Program



MODERN TOWNHOME LIVING™

Information Packet for  
Prospective Homebuyers  
April 2018

[www.montgomerycountymd.gov/wfh](http://www.montgomerycountymd.gov/wfh)

The Montgomery County Workforce Housing (WFH) program at Westside at Shady Grove Metro provides an exciting and affordable opportunity to own a new 4-level townhome adjacent to the Shady Grove Metro station in Montgomery County. The WFH program at Westside offers new townhomes, which are designed to be affordable to households whose average annual household income is less than 120% of the Washington Primary Metropolitan Statistical Area (WPMSA) median income.

## **GENERAL INFORMATION**

### **Benefits of Owning a WFH Home**

- By purchasing a WFH home with a standard 30-year fixed rate mortgage, your monthly mortgage payment will not increase each year, unlike rent which landlords typically increase annually.
- If you sell your WFH home during the control period (defined below) at the WFH controlled resale price, you are eligible to get back what you originally paid for the WFH home plus an appreciation allowance equal to 15% of the difference between the appraised fair market value at the time of the original purchase and the appraised fair market value at resale, plus the current fair market value of eligible capital improvements, as defined by the Montgomery County Department of Housing and Community Affairs (DHCA).

If you sell your WFH home after the 20-year resale price control period expires, you may sell your home at a market resale price. A portion of the equity will be shared with the County.

- By purchasing a WFH home in Montgomery County, you and your family receive all the great benefits of living in Montgomery County at an affordable price: great schools, cultural activities, shopping, and employment opportunities.

### **Property Information for Westside at Shady Grove Metro**

WFH homes are sold at below-market sales prices. The sales prices for the WFH homes are based on what is deemed affordable to households whose annual household incomes range from 70% to 120% of median income for the Washington, DC area.

The following chart describes the two WFH townhomes currently available at Westside at Shady Grove Metro, number of bedrooms and bathrooms, approximate square footage, approximate monthly Homeowners Association (HOA) fees, and sales prices. Other lots will be released for sale in future years.

<b>Lot Number</b>	<b>Number of Bedrooms/Bathrooms</b>	<b>Parking Spaces</b>	<b>Approx. Square Footage</b>	<b>Approx. HOA Fee</b>	<b>Base Sales Prices</b>
Lot 8/E	3BR/2.5 baths	1	1,625	\$170	\$411,482
Lot 14/E	3BR/2.5 baths	1 or 2	1,691 or 1,874	\$170	\$411,482

## **Deposits**

One percent of the base sales price will be required as an Earnest Money Deposit at time of contract.

## **Options**

A purchaser may purchase up to a maximum of 10% of the base sales price in options to add to the home. The seller will require a 50% non-refundable option deposit at the time of the option selection appointment.

## **Restrictions**

Because the WFH program is an affordable housing program, there are certain rules associated with owning a WFH home. The rules are designed to ensure that the home remains affordable over time. As a prospective purchaser, it is very important that you understand the program's requirements. These rules take effect beginning on the date of purchase and continue for twenty (20) years (the "Control Period"). See the Workforce Housing Program Restrictions section below for more details.

## **WFH PROGRAM DETAILS**

### **Eligibility**

#### **1. HOUSEHOLD INCOME**

To be eligible to purchase a WFH townhome at Westside at Shady Grove Metro in 2017, your household must not include more than six people and your household income must be below the following maximum income allowed (by household size):

**Household Size\*      WFH Maximum Income for 2018\*\***

3	\$ 126,500
4	\$ 140,500
5	\$ 152,000
6	\$ 163,000

\*Initially, sales will be limited to households of at least 3 people. However, WFH homes may be made available for sale to households of less than 3 people if there are additional WFH homes available for purchase after eligible larger households have made their selections.

\*\*Maximum incomes may be adjusted slightly when new median income information is published by HUD.

**2. MORTGAGE PRE-QUALIFICATION LETTER**

Households applying to the WFH purchase program must obtain and provide a mortgage pre-qualification letter from a seller-preferred lender (please contact the Sales Agent for the preferred lender information).

Households who are unable to obtain a mortgage pre-qualification letter in the amount required will not be eligible to participate in the WFH program.

Pre-qualification letters from lenders other than a seller-preferred lender will not be accepted for purposes of the application. *Once you are approved to participate in the program, you are **not required** to use the Seller's preferred lender to obtain your mortgage,* however there may be financial incentives available if you do.

In today's real estate market, lenders may require between a 3% and a 10% down payment, which will vary based on credit scores and other factors. The down payment can be paid using your own funds or by utilizing assistance provided by the Housing Opportunities Commission and other local government financing assistance programs.

The pre-qualified mortgage amount plus funds the household has available for a down payment must be equal to or greater than the sales price for a WFH home at Westside at Shady Grove Metro. Assuming you have sufficient cash assets for a 5% down payment (approximately \$20,574), the estimated minimum pre-qualified mortgage amount for a WFH home is approximately \$390,908. You will need a higher pre-approval if you are purchasing options.

### 3. TOTAL ASSET LIMITATION

Your total household assets must not exceed 25% of the amount for which your household is pre-qualified by a lender. Using the example in the preceding paragraph, if your household is pre-qualified for a mortgage of \$390,908, then your combined household assets may not exceed \$97,726.

Assets are defined as the amount of money in, or value of, checking accounts, savings accounts, certificates of deposit and/or money market accounts, stocks and/or mutual funds, bonds, real property (less outstanding debt), and trust funds. Assets not included in this definition include any down payment made, the amount in tax deferred retirement savings plans, amount in tax deferred college savings plans, cash value of whole life insurance, automobiles (up to one per adult), equity in your current primary residence, and cash value of household furnishings and jewelry.

### 4. OTHER REQUIREMENTS

Households applying to the Westside at Shady Grove Metro WFH program MUST be able to:

1. pay a down payment, settlement fees including advance taxes and advance insurance, other closing costs, and a monthly mortgage payment, monthly HOA fee, utilities, and other costs, and
2. be responsible for all home maintenance, home improvements, HOA fees, and compliance with HOA rules and regulations and the HOA documents.

### Priority Points

Priority to purchase a WFH home is given to participants who have the largest number of "Priority Points". Eligible households meeting the income requirements receive up to a maximum of five (5) priority points based on:

- County or Local Government Employee (maximum of 1 point for this category) – At least one household member is employed by a local government agency, such as:
  - Montgomery County Government
  - Montgomery County Public Schools (MPCS)
  - A municipality located within Montgomery County
  - The Housing Opportunities Commission (HOC)
  - The Maryland-National Capital Park and Planning Commission
  - The Washington Suburban Sanitary Commission (WSSC)
- Employer-Sponsored Housing (maximum of 1 point for this category) - At least one household member participates in an employer housing assistance program.

- Place of Primary Residence (maximum of 1 point for this category) - At least one household member currently lives in Montgomery County.
- Place of Primary Employment (maximum of 1 point for this category) - At least one household member is currently employed by a business, establishment, or public agency located in Montgomery County.
- Current MPDU Owner or Renter (maximum of 1 point for this category) - At least one household member currently rents or owns a Moderately Priced Dwelling Unit (MPDU) located in Montgomery County. If the household owns an MPDU, the MPDU must be sold before or at the same time as the settlement on the WFH unit.

Each household is assigned a number of points based on how many of the priority criteria they meet. The maximum number of Priority Points that a household can achieve is five (5).

### How to Apply

Step 1	<p><b>Pre-Application and WFH Orientation</b></p> <p>Schedule an appointment to speak with a Sales Agent and meet at The Westside at Shady Grove Metro Sales Office (16658 Crabbs Branch Way, Rockville, Maryland 20855) by calling (301) 208-1200. The WFH orientation is designed to answer your questions about the program, describe program benefits, application and selection processes, and restrictions. After meeting with the Sales Agent, you will receive an application.</p> <p>After you visit with a Sales Agent, proceed to Step 2.</p>
Step 2	<p><b>Mortgage Pre-Qualification Letter</b></p> <p>Obtain a Mortgage Pre-Qualification Letter from the seller's preferred lender (contact the sales office for the preferred lender information). The pre-qualified mortgage amount plus funds the household has available for a down payment must be equal to or greater than the price for a WFH home at Westside at Shady Grove Metro. Assuming you have sufficient cash assets for a 5% down payment, the estimated minimum pre-qualified mortgage amount for a WFH home at Westside at Shady Grove Metro is approximately \$390,908 (not including options).</p> <p>After you obtain a mortgage pre-qualification letter, proceed to Step 3.</p>
Step 3	<p><b>Submit your WFH Application and Required Documents</b></p>

	<p>The final step in the application process is to submit your completed WFH application, along with all required documents, to the Sales Office. Ask your Sales Agent for the deadline date to complete the application.</p> <p>At the appointment, you must provide ALL of the following documentation (IMPORTANT NOTE: Incomplete applications or applications missing required documentation will not be accepted and you will need to resubmit):</p> <ol style="list-style-type: none"> <li>1. The completed WFH application (the application form is given to you when you complete the WFH orientation).</li> <li>2. Your mortgage pre-qualification letter.</li> <li>3. A copy of your two most recent tax returns along with W-2 forms for every adult in the household.</li> <li>4. Copies of the two most recent pay stubs for each household wage earner (if your pay stubs do not show the location of your workplace in Montgomery County, you must submit proof of the location of your workplace).</li> <li>5. If your taxes do not show your current address and you are seeking a priority point for living in Montgomery County, proof of residency (lease, utility bill, etc.) will be required.</li> <li>6. If your taxes do not show the same household residents as your application, copies of divorce or separation agreement, birth certificates, death certificates, etc. (if applicable) will be required.</li> <li>7. Other certified forms or documentation that may be deemed necessary.</li> </ol>
Step 4	<p>Your application will be reviewed by Montgomery County to determine your eligibility for the WFH program. If you are found to qualify to purchase a WFH townhome at Westside at Shady Grove Metro, you will be issued a "Certificate of Eligibility" from Montgomery County which is valid for one year. This certificate is required in order to sign a contract to purchase a home at Westside at Shady Grove Metro. If the home you are buying will not be ready to move in to for more than one year, you will not lose eligibility so long as you have signed a sales contract for the home.</p>

### **The Selection Process**

After the deadline date for applications has passed, a Sales Agent from Westside at Shady Grove Metro will contact households to give them an opportunity to purchase a WFH home by entering into a sales contract. Households with the highest number of priority points will be contacted first. If two or more households have the same number of priority points, the households will be contacted in the order that their completed application was received. Time will be of the essence as the Sales Agent will work down the list until all the available WFH homes are sold, and once you meet with the Sales Agent, you will have 48 hours to decide whether or not you wish to purchase the unit.

Approved households who are not able to purchase one of the WFH homes that is currently available will have the opportunity to purchase future WFH homes at Westside at Shady Grove Metro assuming they still meet all guidelines. Deadlines for submission and approval of applications will be announced for each Offering of WFH townhomes, and only those households who have been approved as eligible by that time will be considered.

## **Homebuying Process**

Once a household selects a home, the normal home buying process begins. The household will sign a legally binding sales contract, provide the Sales Agent a 1% Earnest Money Deposit and Non-refundable Option Deposit, meet with and apply to a lender to qualify for a mortgage, and move on towards the settlement date when the household will get the keys to their new home.

## **First Time Homebuyer's Class**

The WFH program does not require households to attend a first-time homebuyer class or to provide a Homebuyer Class Certificate of Completion. However, it is highly recommended that first-time homebuyers attend a County-sponsored first-time homebuyer's class. This one-time, free class is intended to help you better understand the opportunities and responsibilities associated with home ownership. A list of classes and sign-up information can be found at: <http://www.hcii.org/HomebuyersEducationSchedule.html>.

## **Workforce Housing Program Restrictions**

Homes that are purchased through the WFH program have certain controls designed to keep the home affordable. New homes have a 20-year Control Period. These controls are enforced by restrictive covenants placed on the property that require the following:

- During the Control Period, the owners must occupy the home as their primary residence. The home may not be rented out. If you can no longer live there due to employment or other reasons, you must sell the home to another WFH eligible household.
- During the Control Period, the owner must not refinance the home for more than the controlled resale price established by DHCA (owners are prohibited from refinancing the property based on the market value of the property).
- During the Control Period, the owner can sell the WFH home for no more than the **maximum resale price** through the WFH program to a WFH eligible household, which is established by DHCA. See the "Reselling a WFH Home" section below for more details.



- When the property is sold after the 20-year Control Period, the owner must pay half of the excess proceeds to the County's Housing Initiative Fund.
- After the Control Period expires, owners are strongly encouraged to contact DHCA prior to refinancing their WFH home. Refinancing does not relieve the owner of the requirement to pay half of the excess proceeds to the County's Housing Initiative Fund upon sale; therefore, it is important NOT to refinance for the full market value.

### **RESELLING A WFH HOME**

During the 20-year Control Period, the WFH homeowner must first contact DHCA to obtain the maximum resale price of the WFH home. The home must be sold to a household whose income does not exceed the maximum income for the WFH program (120% of the area medium income).

The maximum resale price for the WFH home is the lesser of:

1. the maximum return to the seller, which is the original purchase price plus an appreciation allowance equal to 15% of the difference between the appraised fair market value at the time of the original purchase and the appraised fair market value at resale, plus the current fair market value of eligible capital improvements as defined by DHCA, with allowances for a real estate commission and closing costs, or
2. the maximum affordable resale price as determined by DHCA.

If the maximum return to the seller exceeds the maximum affordable resale price, DHCA will provide a subsidy for the resale WFH home 30 days after receiving a bona fide sales contract to an eligible buyer of the WFH home in order to reduce the sales price to the new home purchaser. If closing needs to occur before the subsidy is paid, the WFH owner will be responsible for covering expenses at the time of settlement.

After the 20-year Control Period expires, the WFH owner may sell the home at a market price, but must pay half of the excess proceeds to the County's Housing Initiative Fund. The excess proceeds are the difference between the market sales price and the original appraised full market value of the WFH home, plus an allowance equal to the rate of increase in the consumer price index between the month and year of the initial sale and the current month and year, plus the current fair market value of eligible capital improvements (as determined by DHCA), plus an allowance for a real estate commission (if a licensed real estate agent is used) not to exceed 6%, plus an allowance for transfer taxes and recordation charges.

The following pages give examples of how the resale price of a WFH home will be calculated, first during the 20-year Control Period, and then after the 20-year Control

Period has expired. The method for calculating these resale prices and rates of return is described in greater detail in the WFH Covenants, which are available from the Sales Agent.

## WESTSIDE AT SHADY GROVE METRO WORKFORCE HOUSING (WFH) RESALE PRICING EXAMPLES DURING THE CONTROL PERIOD<sup>1</sup>

During the 20 year control period the WFH Unit cannot be sold for more than the Maximum Affordable Resale Price as calculated by the Department of Housing and Community Affairs (DHCA).	
<b>Assumptions and explanations:</b>	
* The Appraised Fair Market Value (FMV) at purchase is \$500,000.	
* The FMV of the WFH Unit increases 2% each year.	
* The 15% of Market Appreciation in the resale price calculation is 15% of the difference between the unit's appraised FMV when the unit is offered for resale and its appraised FMV at purchase.	
* The Maximum Affordable Resale Price assumes that AMI increases 2% each year.	
<b>EXAMPLE 1 - Owner sells WFH Unit after owning unit for 5 years</b>	
\$411,482	WFH Purchase Price in 2015 (less fees/points; assuming no options)
\$0	Plus Approved Capital Improvements (none assumed)
\$7,500	Plus 15% of Market Appreciation (see calculation below)
\$418,982	Subtotal
\$25,139	Plus Real Estate Commission (up to 6% of Subtotal)
\$14,664	Plus Closing Cost Allowance for new purchaser (3.5% of Subtotal)
<b>\$458,785</b>	<b>Maximum Return to Seller</b>
The Maximum Affordable Resale Price (@ 120% Area Median Income) is \$623,000, which is greater than the Maximum Return to Seller. Therefore, the Maximum Return to Seller Price is the Maximum Resale Price.	
<u>Market Appreciation Calculation:</u>	
Appraised FMV assuming 2% yearly increase (10%): \$550,000	
Less Appraised FMV when purchased: <u>\$500,000</u>	
Difference = \$50,000	
15% of Market Appreciation = \$7,500	
<b>EXAMPLE 2 - Owner sells WFH Unit after owning unit for 10 years</b>	
\$411,482	WFH Purchase Price in 2015 (less fees/points; assuming no options)
\$0	Plus Approved Capital Improvements (none assumed)
\$15,000	Plus 15% of Market Appreciation (see calculation below)
\$426,482	Subtotal
\$25,589	Plus Real Estate Commission (up to 6% of Subtotal)
\$14,927	Plus Closing Cost Allowance for new purchaser (3.5% of Subtotal)
<b>\$466,998</b>	<b>Maximum Return to Seller</b>
The Maximum Affordable Resale Price (@ 120% Area Median Income) is \$683,400, which is greater than the Maximum Return to Seller. Therefore, the Maximum Return to Seller Price is the Maximum Resale Price.	
<u>Market Appreciation Calculation:</u>	
Appraised FMV assuming 2% yearly increase (20%): \$600,000	
Less Appraised FMV when purchased: <u>\$500,000</u>	
Difference = \$100,000	
15% of Market Appreciation = \$15,000	
<sup>1</sup> These examples are for illustrative purposes only and should not be relied upon as the basis of any contract, warranty, or other claim. DHCA and Seller make no warranty or guaranty regarding the actual resale price, actual FMV at time of initial purchase or resale, actual closing costs, or other factors.	

# WESTSIDE AT SHADY GROVE METRO WORKFORCE HOUSING (WFH)

## RESALE PRICING EXAMPLES AFTER THE CONTROL PERIOD<sup>1</sup>

After the expiration of the 20-year Control Period, the owner can sell the WFH unit at Fair Market Value upon the condition that the seller pays a portion of the excess profit to the County as explained below.	
<b>Assumptions and Explanations for Examples Below:</b>	
* The Consumer Price Index (CPI-U) increases 2% each year.	
* Appraised Fair Market Value (FMV) at purchase is \$500,000.	
* Original purchase price in 2015 is \$411,482 (assuming no options)	
* These examples are for illustrative purposes only and should not be relied upon as the basis of any contract warranty or other claim. DHCA and Seller make no warranty or guaranty regarding the actual resale price, actual change in the CPI-U, the actual FMV at purchase and at resale, closing costs, and other factors.	
<b>EXAMPLE 1 - Owner sells WFH unit after owning unit for 21 years assuming market appreciation of 2% each year.</b>	
<b><u>Calculation for Payment to County at First Sale after Expiration of 20 Year Control Period</u></b>	
\$500,000	Original Appraised Fair Market Value
\$210,000	Plus Increase in CPI-U = 2% x 21 yrs = 42%
\$0	Plus Approved Capital Improvements (none assumed)
\$710,000	Subtotal
\$42,600	Plus Real Estate Commission (up to 6% of Contract Sales Price)
\$7,810	Plus Allowance for Transfer & Recordation Taxes (1.1% of Contract Sales Price)
<b>\$760,410</b>	<b>Total</b>
\$710,000	Contract Sales Price in year 21 (42% market appreciation)
\$760,410	Less Total Above
<b>(\$50,410)</b>	<b>Excess Proceeds (No Excess Proceeds)</b>
\$0	Shared Profit Payment to the County (1/2 of Excess Proceeds)
<b>\$248,108</b>	<b>Seller Keeps (Contract Sales Price Less Shared Profit, Original Sales Price and Commission)</b>
<b>EXAMPLE 2 - Owner sells WFH unit after owning unit for 21 years assuming market appreciation of 3% each year.</b>	
<b><u>Calculation for Payment to County at First Sale after Expiration of 20 Year Control Period</u></b>	
\$500,000	Original Appraised Fair Market Value
\$210,000	Plus Increase in CPI-U = 3% x 21 yrs = 63%
\$0	Plus Approved Capital Improvements (none assumed)
\$710,000	Subtotal
\$48,900	Plus Real Estate Commission (up to 6% of Contract Sales Price)
\$8,965	Plus Allowance for Transfer & Recordation Taxes (1.1% of Contract Sales Price)
<b>\$767,865</b>	<b>Total</b>
\$815,000	Contract Sales Price in year 21 (63% market appreciation)
\$767,865	Less Total Above
\$47,135	Excess Proceeds
\$23,568	Shared Profit Payment to the County (1/2 of Excess Proceeds)
<b>\$322,086</b>	<b>Seller Keeps (Contract Sales Price Less Shared Profit, Original Sales Price and Commission)</b>
<sup>1</sup> These examples are for illustrative purposes only and should not be relied upon as the basis of any contract, warranty, or other claim. DHCA and Seller make no warranty or guaranty regarding the actual resale price, actual FMV at time of initial purchase or resale, actual closing costs, or other factors.	

