

METHODOLOGY FOR CALCULATING MAXIMUM INITIAL SALES PRICE

I. GENERAL POLICY

Income Restricted Units must be sold by Developer at no more than the defined Maximum Price. This price will be calculated as set forth herein, based on the affordability level for the applicable Income Restricted Unit. The Maximum Price is the maximum price for which an Inclusionary Unit may be sold at the initial sale of the Income Restricted Unit and through the covenant period. The Maximum Price is calculated based on the requirements of the City's existing inclusionary housing ordinances and resolutions, which require that Income Restricted Units be sold to Eligible Households at a cost that will result in gross monthly housing expenses that do not exceed 30% of the gross monthly income for based on the household income levels described in Section II.A.2 of this Exhibit, adjusted for household size. The Maximum Price is likely to be lower than the fair market value of the property.

II. MAXIMUM PRICE CALCULATIONS

The Maximum Price is equal to the Supportable Mortgage (as defined below) plus a Benchmark Down Payment amount set at 10% of the Maximum Price. This Benchmark Down Payment amount is not tied to the actual down payment contributed by the home buyer. The City will calculate both the Supportable Mortgage and the Benchmark Down Payment.

The amount of the Maximum Price is calculated on the basis of the identified variables as described below in Subsection A.

A. Variables used for Calculation of Maximum Price.

1. *Household Size*

The household income applied in the Affordable Housing Cost is calculated for a household based on the number of bedrooms in the unit plus one. For example, the imputed household size for a three-bedroom home is four persons. The imputed household size for a studio or 0-bedroom unit is one person. The household size determined for each unit is an assumption that is used to determine the Maximum Price, and is not meant to be an occupancy cap. It is simply a benchmark used to create a consistent methodology for determining the Maximum Price.

2. *Household Income*

The household income levels described below shall be used to calculate the Affordable Housing Cost for each category of Income Restricted Units.

- i. **Very-Low Income:** The income level is assumed to be equal to the very-low income limit established for Ventura County by the U.S. Department of Housing and Urban Development for a household size equal to the number of bedrooms in the unit plus

one.

- ii. Low Income: The income level is assumed to be equal to the low income limit established for Ventura County by the U.S. Department of Housing and Urban Development for a household size equal to the number of bedrooms in the unit plus one.
- iii. Moderate Income: The income level is assumed to be equal to 110% of the Ventura County Median Income for a household size equal to the number of bedrooms in the unit plus one.

3. *Income Allocated to Housing Related Expenses.*

For each income level, this calculation methodology assumes that 30% of the benchmark household income (as described in Subsection 2, above) shall be allocated to housing related expenses, including mortgage and non-mortgage expenses, as described below:

4. *Housing Related Expenses (Mortgage and Non-Mortgage Expenses)*

Non-mortgage expenses will be calculated based on standards defined by the City. The expenses and standards are:

- i. Property Tax and Assessments: The tax rate applied to determine the annual property tax cost will be set at 1.25% of the purchase price of an inclusionary home.
- ii. Fire and Casualty Insurance: The City or its designee will periodically survey local insurance companies to determine the typical annual cost of insuring a home for its replacement value. A value will be determined based on each sized unit (based on the number of bedrooms) and will be published and updated once per year. In the event that fire and casualty insurance is included in the HOA fees, that cost will not be included in this category.
- iii. Utilities: The Planning Manager will estimate an annual utility cost based on data published by the Housing Authority of the City of San Buenaventura. This value will be published and updated once per year. In the event that certain utilities are included in the HOA fees, those will not be included in this category.
- iv. Homeowner Association Fees (HOA): The HOA fees based on the amount actually charged for the home being purchased.

5. *SupportableMortgageAmount*

The Supportable Mortgage amount is the mortgage that can be supported by a mortgage payment equal to the income available to pay the Affordable Housing Cost after the deduction of the non-mortgage expenses described above. The mortgage interest rate used to calculate the "Supportable Mortgage" will be based on the interest rate set by Fannie Mae as the 60 day rate for a 30-year, fully-amortizing, fixed-interest rate, no points, no fees loans. The interest rate used in the calculation will be the pertinent rate published in the Wall Street Journal for the last day of the final quarter of the calendar year preceding the proposed home purchase.

The calculated mortgage is an assumed benchmark for purposes of calculating the Maximum Purchase Price. Each household's actual mortgage may vary based on the interest rate available at the time they apply for a loan, the loans that the household qualifies for, and the actual amount of the down payment, along with other variables.

6. *BenchmarkDownPayment*

The Benchmark Down Payment used by the City to establish the Maximum Price is 10% of the Maximum Price. The actual down payment amount will vary from unit-to-unit.

B. Maximum Price

The Maximum Price will be equal to the sum of the Supportable Mortgage determined based on the variables outlined above, plus the Benchmark Down Payment.