

MPDU FREQUENTLY ASKED QUESTIONS

1. What is an MPDU?

An MPDU is a housing unit that has a sales or rental price that is affordable to households with moderate incomes. The City of Annapolis wants to ensure that housing options continue to be available to its moderate-income residents and employees. To achieve this goal, the City Council passed the [Moderately Priced Dwelling Unit Law in 2004. \(Please link to Chapter 20.30 City Code\)](#) The law requires that 12% of the houses for sale in new subdivisions of 10 or more units or 6% of the rental units be moderately priced dwelling units (MPDUs), i.e., affordable to moderate-income households.

2. What do you mean by moderately priced housing - is this low income housing?

We define moderately priced housing as housing affordable to persons or households making approximately 100 percent or less of the Baltimore area median income (for example, \$81,250 for a household of four). Realistically, to afford to buy a home under this program, a household must be able to qualify for a mortgage that is at least equal to the price of the house. To afford the rent of an MPDU through this program, a household should earn approximately \$30,000 or above in a year.

3. Is this a subsidized housing program?

No. City law requires private developers to provide a certain number of affordable units within large developments. Neither the City nor the developers provide any subsidy to buyers.

4. Who qualifies?

Any person or household who meets the minimum program requirements may apply for the MPDU program. You must be income eligible and have the necessary income to make mortgage or rent payments.

The maximum income limits for the City of Annapolis MPDU Program are as follows:

Household size	Maximum Income*
1	\$56,875
2	\$65,000
3	\$73,125
4	\$81,250
5	\$87,750
6	\$94,250

* Gross annual income from all current sources for all wage earners in the household.

In addition, you must be one of the following:

- A City of Annapolis resident within the [corporate limits \(see map\)](#); or
- An employee of the City of Annapolis beyond your probationary period; or
- Be employed within the City limits for at least the past twelve months; or
- Be a full-time teacher or staff member in an elementary, middle or high school within the city limits; or
- A full-time teacher or staff member in the Annapolis Senior High School District (Please refer to the Annapolis Senior High School District map to see if your school is eligible).

In addition, you must not currently own a home; you must have a good credit history; and, if purchasing an MPDU, you must complete homebuyer's classes.

5. How do I know if I am in the City of Annapolis or Annapolis Senior High School district boundaries?

Maps are available in our office and on the MPDU website showing the [corporate limits of the City of Annapolis](#) as well as the Annapolis Senior High School District boundary.

6. Is there a minimum income required to purchase or rent an MPDU?

The program guidelines do not specify a minimum income but the City suggests a household income of around \$50,000 for purchasing an MPDU to assure affordability. You should be able to qualify for a mortgage that is at least the price of the house. This is because house prices normally require at least that amount of income to make the payment requirements. If a person has sufficient assets to use for a down payment, that would reduce the mortgage.

To qualify to rent your income should be at least \$30,000 a year.

7. Where can I get an application for the MPDU Program?

MPDU applications are available from Arundel Community Development Services, Inc. (ACDS) on its web site at acdsinc.org or from the City of Annapolis website at annapolis.gov. You may download the form in PDF format by clicking [Application](#). If you want an application mailed to you, you may call ACDS at 410-222-7600. All applications for the MPDU Program will be processed by ACDS.

8. What must I include with the application?

With your application, you must include:

- ✓ Copy of a credit report with credit score for each applicant (not more than 6 months old). Credit reports can be obtained from one of the following: www.annualcreditreport.com; Equifax: 1-800-685-1111, Experian: 1-888-397-3742 or Trans Union Corp: 1-800-916-8800.
- ✓ Evidence of your current gross household income for a one-month period (i.e. copies of most recent pay stubs, child support, alimony, and gross annual statement for SSI or SSA or retirement).
- ✓ Copy of the last two statements from all asset accounts (i.e. checking, savings, investment, etc.)
- ✓ Copy of 2011 and 2010 Federal Tax returns with all schedules, including W2s for each applicant.
- ✓ Copy of a Photo ID for each applicant
- ✓ Rental History Verification form, signed by your landlord or management company (rental only)

A prequalification letter from a bank or mortgage company for a mortgage of at least \$200,000 (purchase only) and a copy of a homebuyer classes certificate are not required but would be helpful.

9. Will you check my credit history?

ACDS will review your credit history when providing the prequalification letter. The management at The Point at Annapolis (formerly 1901 West) will perform a credit check for rental applicants.

10. I do not have a job, can I still apply?

Participants in the MPDU program must be able to pay a monthly mortgage or rental payment. If you are not employed, you likely will not qualify for either.

11. If I am self-employed, what will you accept in the place of a pay stub?

If you are self-employed, you must submit two years completed federal income tax returns signed and dated, including all schedules. In addition, a current Profit & Loss Financial Statement(s) is required. If you have a 25% or greater interest in the corporation, we require two years of corporate tax returns.

12. I lost last year's tax return - do you really need it?

Yes. We will return incomplete applications. You must contact the Internal Revenue Service to request a summary statement of your previously filed tax return. You may request transcripts by calling 1-800-829-1040, or order by mail IRS Form 4506T (Request for Transcript of Tax Return). The IRS does not charge a fee for transcripts. Allow

two weeks for delivery.

13. My last tax return shows more income than I now make. Will this affect my eligibility for the program?

Probably not. We use pay stubs to determine your current income and we use your tax return to verify other information on your application.

14. I do not receive a paycheck stub. What can I submit instead?

You can have your employer verify your annual income and year-to-date earnings on company letterhead or request your employer to complete an Income Verification Form (available from our office).

15. When may I apply for a certificate?

Applications for Certificates of Eligibility to purchase MPDUs will be accepted in person or by mail. Currently Arundel Community Development Services (ACDS) is processing application for the MPDU Program on a rolling basis. The application may be mailed or hand delivered to the MPDU Program, ACDS 2666 Riva Road, Annapolis MD 21401

16. After a person submits an application for a Certificate of Eligibility, about how long does it take to receive the certificate?

Certificates will be mailed out within four weeks of applications being received by ACDS. Within the first four weeks after submittal of an application, please do not call ACDS. If an applicant does not receive a Certificate within four weeks, then it is appropriate to call 410-222-7600 to discuss the status of your application.

17. How long is a Certificate valid? When a Certificate expires, can it be renewed?

A Certificate is valid for one year from the date of issue and may be renewed. At the time of renewal, applicants must submit documentation that shows that their income limits still fall within the eligibility guidelines of the MPDU program and that you still meet all the minimum requirements of the program. When you are within 60 days of the expiration of the current certificate, resubmit the MPDU application with the same required documentation.

In addition, you are responsible for keeping the ACDS staff up to date with your information. If you change your address or phone number while your certificate is still active, we may not be able to reach you with information on the availability of units.

18. How long do you keep my file?

Files are kept for only 60 days beyond the expiration date of the certificate.

19. What types of units are available through the MPDU program?

Most units that may be available under the Annapolis MPDU program are apartments, condominiums, townhouses, or single-family homes. The size of the eligible units may range from an efficiency or studio with approximately 600 square feet of gross floor area to a three bedroom with approximately 1,300 square feet of gross floor area.

20. Once a Certificate of Eligibility is issued, then what happens?

If you are eligible based on your household size, income, and the size of the MPDU being offered, you will receive a letter notifying you of the next time units become available. If you are interested in the units being offered, you must return the completed interest form by the date indicated.

For rental units, you will receive a call from the management at The Point at Annapolis to ask you if you are interested in renting a unit.

21. What if I do not want to buy or rent the unit that is offered to me by a builder?

If certificate holders are not interested in the unit available from the developer or rental complex that contacts them, they can decline to purchase, or rent, the unit. Their name remains on the list of certificate holders, which is given to future developers of MPDUs. If a certificate holder chooses not to purchase or rent a unit, there is no guarantee that

another unit will become available. A name is only removed from the list when a certificate holder purchases or rents a unit, requests that his or her name be removed or the certificate expires.

22. What if a Certificate Holder gets a pay raise between the time a certificate is issued and he/she purchases or rents a unit?

For purchase, the income of the Certificate Holder must be within the MPDU eligibility guidelines at the time a sales contract is signed for an MPDU unit. If the applicant has gotten a significant increase in pay since the time the Certificate of Eligibility was issued, and before he/she signs a contract, he/she may no longer qualify to occupy an MPDU. ACDS will recertify income eligibility when a household signs a contract to purchase.

For rentals, the Property Manager at The Point at Annapolis will check your income prior to signing a lease.

23. Does the type of MPDU available for purchase or rent depend on household size?

Larger rental MPDUs, such as those with two and three bedrooms, are not available to individuals. These units are reserved for households of at least two persons. It is the goal of the MPDU program to have larger units bought by households with children, when possible.

For the Purchase Program, the following table shows which units are available to which household sizes:

Number of Persons In Household	For Sale MPDUs Eligible Number of Bedroom(s)*
1	Efficiency , 1 or 2
2	1, 2, or 3
3	2 or 3
4	2 , 3 or 4
5	3 or above
6	3 or above

24. If I purchase or rent an MPDU, can I rent it to someone else?

No. You must live in the MPDU as your primary residence.

25. Can I come into your office to get more information?

Yes, you may come in during business hours 8:30 - 4:30 M-F. However, most of the information you need can be found on the MPDU web sites at acdsinc.org or annapolis.gov.

FOR-SALE MPDUS

1. How are the prices of for-sale units determined?

Provisions in Chapter 20.30 of the City of Annapolis Code determine the price of homes built under the MPDU Program.

2. What is the occupancy period on a for-sale MPDU and what does it mean?

The occupancy period is a set period of time beginning on the settlement date of the initial sale of the MPDU and 10 years into the future (see 10). If the MPDU is sold within the occupancy period, the home must be sold to another MPDU client at a price determined by the City. This 10-year occupancy period will renew each time the MPDU is sold.

3. What other financial means does an applicant need to purchase an MPDU?

To purchase an MPDU, you must be able to qualify for financing and to pay the down payment, settlement and other costs that are necessary to purchase a home. In addition, you must have a good credit rating. The lender decides if

you are qualified for a mortgage.

4. What other monthly costs besides a mortgage payment must I pay if I purchase an MPDU?

Your monthly mortgage payment typically includes your homeowner's insurance payment and your property taxes, in addition to your loan payment. If you purchase a condominium or townhouse, you will be required to pay a monthly condominium fee or a homeowner's association fee that covers the costs of maintaining the "common areas" in the development. Some condominium fees may also include part of the utility costs. These fees may range from \$100 to more than \$500 per month, depending on the property that you purchase. You will be responsible for paying these fees the same as the other property owners in the development.

5. What are the requirements for the homebuyer classes?

Before you sign a sales contract or enter the housing lottery, you must complete a home buyers' education course. When you complete the course, you will receive a "Home Buyer's Certificate."

Home Buyers classes are offered through the following agencies:

Arundel Community Development Services, Inc. (ACDS)
2666 Riva Road, Suite 210
Annapolis, MD 21401
410-222-7608
www.acdsinc.org

Anne Arundel County Economic Opportunity Committee
251 West Street
Annapolis, MD 21401
410-626-1900 ext. 1004
www.aaccaa.org

Please contact the agencies above for information on class availability. We will accept Home Buyers Certificates from other organizations.

6. Do you provide financing for my home?

No. We do not provide financing to purchase MPDUs. You must receive financing through a conventional lender (like a bank), a mortgage company, or the Maryland Department of Housing and Community Development's "Maryland Mortgage Program" (MMP). You can find more information on this program at <http://www.mmprogram.org/> or by calling 1-800-638-7781.

7. Is assistance offered for down payment and settlement expenses?

The Maryland Department of Housing and Community Development's offers funds through the Down Payment and Cost Assistance Program. You can find more information on this program at www.mmprogram.org or by calling 1-800-638-7781. ACDS also has a program called Mortgage Assistance Program (MAP). This program offers funds for first time homebuyers purchasing a home in Anne Arundel County. Please contact them at 410-222-7600.

Please note that in Anne Arundel County you must receive homebuyer education/housing counseling and obtain a housing counseling certificate prior to making an offer and executing a contract. To receive help with downpayment, settlement expenses, and/or mortgage assistance from MMP or MAP program, you must obtain counseling through ACDS.

8. What upgrades can be added to the allowable sales price of a unit and included in the mortgage?

Currently, no upgrades are available.

9. Can a buyer have a cosigner for a mortgage loan?

There may be a cosigner on a loan as long as the cosigner does not appear on the deed as a co-owner. This provision is at the discretion of the individual lender.

10. What is the occupancy period for purchased MPDUs? What does this mean in terms of reselling a unit?

The City imposes certain resale and occupancy restrictions on the MPDUs when the completed units are sold. The MPDU is subject to resale price controls and owner occupancy requirements. The occupancy period means the time a MPDU is subject to resale price controls and owner occupancy requirements. The occupancy period is 10 years and begins on the date of initial sale. If an MPDU is sold to an eligible person within 10 years after its initial sale, the unit must be treated as a new MPDU and a new occupancy period must begin on the date of the sale.

The price for which the unit can be resold is controlled during this period, and the unit must be resold through the MPDU program to another MPDU certificate holder. The MPDU must be owner-occupied throughout the applicable occupancy period, and when the owner sells the unit for the first time after the 10-year occupancy period ends, it may be sold at a market price. Any excess profit is kept by the owner of the MPDU.

11. If I pay off my mortgage, does my obligation to the MPDU program remain in effect?

Yes, the covenants on your MPDU are not tied to your mortgage. The covenants are tied to the property itself. Therefore, paying off your mortgage does not relieve you of your obligation to adhere to the MPDU rules you agreed to when you purchased your property.

RENTAL MPDU'S

1. How are the prices of rental units determined?

The rental price of MPDUs are set by the City and are based on "Fair Market Rents" (FMRs) set by HUD for the Baltimore region. If the landlord of the MPDU pays all utilities (heat, water, sewer, electric and trash), then the rent is 100% of HUD's FMRs. If the landlord does not pay all utilities, then the rent is 80% of HUD's FMRs.

2. What is the occupancy period on a rental MPDU, and what does it mean?

The occupancy period is a set period of time beginning on the initial occupancy date of the rental MPDU and 20 years into the future. If the MPDU lease is terminated within the occupancy period, the units must be rented to another MPDU client at a price determined by the City. Once the 20-year occupancy period ends the rental unit will be put on the available for rent list at market rate. Currently the occupancy for the Point at Annapolis ends July 28, 2026.

3. What other monthly costs, besides a rental payment, must I pay if I rent an MPDU?

Some developments may include utility fees in their monthly rent payments. If the rental price does not include utilities, you will be required to pay monthly bills such as water and sewer, electric and heating etc.

4. Do you check the eligibility of renters once they are living in an MPDU?

The MPDU and leasing offices monitor renters on an annual basis. If the Certificate Holder is no longer income eligible for the program, they will have to move out of their MPDU within a time (set by the MPDU office) which is currently six months.

5. What happens if a certificate holder wants to move out of their apartment when their lease expires?

The certificate holder will be required to notify the leasing office of their desire to terminate their lease. Once the MPDU becomes vacant, the leasing office notifies other certificate holders of a vacancy within the development.

FOR BUILDERS AND DEVELOPERS

Introduction

This summary briefly describes the regulatory process for developing Moderately Priced Dwelling Units (MPDUs) in the City of Annapolis. Please note that the actual laws implementing the MPDU program in City of Annapolis are found in Chapter 20.30 MODERATELY PRICED DWELLING UNITS of the City of Annapolis Code, 1996 edition, as amended. This summary is intended to supplement those sources - please refer to these laws to fully reference and understand the requirements of the MPDU program. The City of Annapolis Code can be referenced online here.

Planning and Development Review Process

1. Minimum Threshold and Percentage Required

The requirement to provide a certain percentage of Moderately Priced Dwelling Units (MPDUs) applies to any new development in City of Annapolis with 10 or more units. This requirement applies even if the development is phased in over time.

The percentage of MPDUs required is 6% of the total number of units for rental properties and 12% of the total number of units in the development for sale properties. Developments that receive no density bonus are still required to provide the required number of MPDUs unless a waiver is approved by the Planning and Zoning Director in accordance with the requirements of Section 20.30.060 Contribution in Lieu of Developing MPDUs.

The actual percentage and number of MPDUs required is set by the City of Annapolis Planning & Zoning Department as part of the review process for the project.

2. Required Agreements Related to MPDUs

There are two main agreements the Applicant must execute with the Department of Planning and Zoning (P & Z) relating to MPDUs. The first is the Agreement to Build Moderately Priced Dwelling Units (20.30.040 Application and inclusionary housing plan) which is required before building permits may be obtained. The second is an Offering Agreement, 20.30.050 Compliance, which is submitted to P & Z once the Applicant is ready to make the MPDUs available for sale or rent to eligible MPDU certificate holders.

3. The Agreement to Build MPDUs

Once the MPDU requirement has been set as part of the development review and approval process, the Applicant must execute an Agreement to Build Moderately Priced Dwelling Units with P & Z. This agreement must be executed before building permits will be issued by the Department of Neighborhood and Environmental Programs (DNEP).

Along with the standard form document, the "Agreement to Build" must include:

- A listing of the individual addresses of the MPDUs and the market rate units;
- An unexecuted copy of the standard MPDU restrictive covenants (either for sale or rental, depending on the development)
- A copy of the final approved site plan with the MPDUs clearly highlighted.

Assuming the Applicant submits a complete and acceptable Agreement, P & Z will make every effort to return the executed document within 7 to 14 days so that the Applicant may obtain building permits.

The Agreement to Build is the document that enforces the development requirements of 20.30.040 of Chapter 20 MODERATELY PRICED DWELLING UNITS. Among other things, this agreement must require that:

- A specific number of MPDUs must be constructed on an approved time schedule;
- In single-family dwelling unit subdivisions, each MPDU must have two or more bedrooms; and
- In multi-family dwelling unit subdivisions, the number of efficiency and one-bedroom MPDUs each must not exceed the ratio that market-rate efficiency and one-bedroom units respectively bear to the total number of market-rate units in the subdivision.

Additionally, the Agreement requires that the construction phasing requirements for building MPDUs comply with the law so that:

- MPDUs are built along with or before other dwelling units;
 - No or few market rate dwellings are built before any MPDUs are built;
 - The pace of MPDU production reasonably coincides with the construction of market rate units; and
 - The last building built must not contain only MPDUs.
- Please refer to Chapter 20 to review the full requirements of the law.

4. **Amendments to the Agreement to Build**

If at any time the MPDU requirement for a development changes (due to a site plan amendment, for example), or if the construction schedule contained in the agreement changes, the Applicant must notify P & Z and request an amendment to the Agreement to Build to reflect the changes. Failure to do so may result in sanctions ranging from "stop permitting" orders to civil fines.

5. **MPDU Offering Agreements**

At the time the MPDUs are ready to be offered for sale or rent to eligible MPDU certificate holders, the Applicant must submit an Offering Agreement to P & Z for its review and approval. In "for sale" developments, the Offering Agreement may be submitted no more than 365 days from the expected delivery date of the MPDUs. Larger developments, or developments that are built out over a greater length of time, may require more than one Offering Agreement to make all the required MPDUs available to certificate holders. P & Z staff will work with the Applicant to schedule multiple offerings in the most efficient manner.

For rental developments, the Offering Agreement may be submitted up to 120 days from the date the rental units will be available for use and occupancy by qualified tenants. In the case of staggered unit delivery over a longer period, more than one offering agreement may be required.

At a minimum, the Offering Agreement must contain:

- The applicable standard form Offering Agreement (either for sales units or rental units) with the number of units indicated;
- The lot/block, street addresses, and tax account numbers of the MPDUs;
- A recorded subdivision plat, a copy of the approved preliminary plan and/or site development plan designating the location of the MPDUs;
- An executed copy of the applicable covenants (in recordable form);
- A copy of the floor plans for of each unit type; and
- Completed price calculation worksheets for each unit type (for sales units), or approved rent schedule by unit type (for rental units).

If, towards the end of the 90-day priority market period, it appears MPDUs will remain after all the names provided by P & Z have been exhausted, the Applicant must contact P & Z to discuss next steps.

FOR REAL ESTATE AGENTS, LENDERS, APPRAISERS, ETC.

1. **What is the occupancy period on a for-sale MPDU, and what does it mean?**

The occupancy period is a set period of time beginning on the settlement date of the initial sale of the MPDU and 10 years into the future (see below). If the MPDU is sold within the occupancy period, the home must be sold to another MPDU client at a price determined by the City. This 10 year occupancy period will renew each time the MPDU is sold.

2. **Are there any limits on the sale price of an MPDU after the occupancy period is up?**

No. The owner may sell the MPDU at a fair market price.

3. **Once the occupancy period has expired, can the owner sell to whomever they want?**

Yes.

4. **How are the MPDU requirements enforced?**

The city's MPDU requirements are enforced through covenants that are placed on the property. Once the occupancy period has ended, these covenants are released.

5. **How much of a deposit is required with the sales contract for the purchase of an MPDU?**

The deposit required shall not exceed \$1,000.

6. **Does the City take action against MPDU owners who do not follow the covenants and program requirements?**

Absolutely YES!

7. **May an MPDU owner rent his/her purchased MPDU?**

No. The owners must live in the MPDU as their primary residence, or they must sell it to another Certificate Holder.

8. **Can an MPDU owner refinance their MPDU at current market value?**

Technically yes, but the owners cannot refinance for more than the MPDU value, as determined by Department of Planning and Zoning. In addition, the owner must be aware that he/she is required to sell the unit to another MPDU-eligible household at a price set by the City if he/she sells during the occupancy period. Therefore, it is dangerous to refinance up to the new market value and take all the equity out of the property. If the owners are forced to sell shortly after the refinancing and before the occupancy period is completed, they could be put in severe financial jeopardy. Contact the Department of Planning and Zoning at 410-263-7961 for additional information.

9. **If an owner pays off his/her mortgage, does his/her obligation to the MPDU program remain in effect?**

Yes. The covenants on the MPDU are not tied to the mortgage. The covenants are tied to the property itself. Therefore, paying off the mortgage does not relieve the owner of his/her obligation to adhere to the MPDU rules agreed to when the property was purchased.

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