



**City of Campbell**  
**Below Market Rate (BMR Program)**  
**Application Guide**  
January 5, 2026



# Program Participation Guide

## Below Market Rate (BMR) Ownership

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# **Program Participation Guide**

## **Below Market Rate (BMR) Ownership**

### **INTRODUCTION**

This Program Participation Guide includes the guidelines, policies, and procedures that comprise the affordable homeownership program for below market rate (BMR) homes.

Buying, owning, and selling an Affordable Below Market Rate (BMR) Ownership Unit differs in many ways from buying, owning, and selling a market rate. It is important that the buyers and sellers of BMR Ownership Units understand the rules and procedures of the Program fully.

The Program Participation Guide and other relevant information (e.g., Ordinance procedures and income limits) will be amended and updated from time to time, so long as such rules, policies and procedures do not violate any affordable housing laws. All proposed changes are subject to approval by the City Council prior to implementation.

Please contact the City regarding any conflicts between this Program Participation Guide, the Developer's Affordable Housing Agreement, the owner's BMR Agreement, and/or the City's recorded documents.

For any questions or concerns regarding this document or any other question regarding the City's affordable housing program:

#### **BMR Program Contact Information**

Online: <https://campbellca.gov/635/Below-Market-Rate-Program>

Email: [campbell@housing-group.org](mailto:campbell@housing-group.org)

Phone: (650) 265-4501

Address: City of Campbell Housing Department - 70 N. First Street Campbell, CA 95008

**ALL GUIDELINES ARE SUBJECT TO CHANGE WITHOUT NOTICE**



# Program Participation Guide

## Below Market Rate (BMR) Ownership

### PROGRAM PARTICIPATION

The purpose of the Below Market Rate (BMR) program is to provide long-term affordable homeownership opportunities for low and moderate-income households in the City of Campbell. Households that purchase a BMR home will be required to sign affordable housing documents to ensure the home remains affordable and the homeowner occupies the home, for the entire restricted term (generally 45 years). Homeowners can sell their home at a market rate price at the end of the restricted term (46th year). Between the time the BMR home is purchased and the 46th year is reached, there will be a series of requests and communications between the homeowner, the City and the Program. For example, the homeowner may request to refinance a mortgage, remodel the home, or initiate a property resale. In addition, the City/Program will request compliance certifications (generally occurring annually for the entire BMR term). Failure to complete these annual compliance certifications is a default of the BMR Agreement and subject to immediate action. The rules governing these, and other issues of concern, are outlined in the “Occupancy, Resale, and Refinancing Restriction Agreement, with Option to Purchase at Restricted Price” (otherwise known as the “Agreement”), as well as the Program Guidelines.

Generally, when a request is made to review any refinance or sale request, there are three stages of review:

Preliminary Review of the Agreement and Program File to determine whether the participant Household is following the program rules and/or the Agreement language allows the homeowner request.

Evaluation of the proposed financing package or sale transaction to ensure that it fits program guidelines and complies with Agreement language.

Coordinating and tracking the transaction to make sure that approved vendors are used and/or that the home is sold to an eligible purchaser from the program applicant list.

BMR Transactions take longer than conventional financing and sale transactions because of the number of payoffs needed, the city authorization required, and the legal documents involved.

Each review stage can take 30 to 90 days to complete, dependent upon the details involved with each request. It is important that any current or prospective BMR homeowner review their Agreement in its entirety to make sure that they understand the conditions and restrictions that they will be expected to adhere to during the Agreement term. BMR homeowners should seek their own legal counsel if further clarification is needed.



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## Below Market Rate (BMR) Ownership

### RESALE PRICE DETERMINATION

Each resale restriction agreement has a price determination method that outlines how the resale price is calculated if the City were to exercise its option to purchase the unit, assign its option to a designee or eligible buyer, or instruct the Program to facilitate a resale to an eligible purchaser. The City / Program will use the price determination method contained in the Owner's BMR agreement unless otherwise determined by the City. There are five primary ways that resale prices are determined:

#	Price Determination Method	Description
1	Indexed Price Based on Consumer Price Index	Throughout the year, the U.S. Department of Labor's Bureau of Labor Statistics publishes a <u>Consumer Price Index</u> for metropolitan areas throughout the United States. This determination method allows for a resale price that is based on the increase in the Housing Component of the Consumer Price Index based on the month and year of purchase.
2	Indexed Price Based on Area Median Income	Each year, the State of California Department of Housing and Community Development publishes the <u>statewide income limits</u> . This determination method allows for a resale price that is based on an increase in the applicable Median Income based on the year of purchase and the year of resale.
3	Equity Share Agreement	Some Agreements have an Equity Share Provision that is based on the initial subsidy provided by the City when the BMR Unit was purchased.
4.	Shared Appreciation	Some agreements require a percentage of the Fair Market Value to be paid to the City as a Shared Appreciation Payment. The remaining appreciation share amount is paid to the Owner.
5.	Promissory Note for First Time Homebuyer Loan or other Mortgage Assistance Loan	Some Agreements include a loan. Depending on the terms of the promissory note, the principal and interest will be due in full when the home is resold or when the or within a specified term (e.g., 45 years). In other cases, payments may be required more frequently.
6.	Promissory Note for Forgivable Loan	Some agreements include a forgivable loan. Depending on the terms of the promissory note, the loan may be forgiven in full if the approved BMR homeowner remains in the home for the entire BMR term (generally 45 years). If the home is sold before the end of the BMR term, the principal and interest are



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	due in full; however in some cases, the amount due will be reduced by a certain percentage each year until there is no balance remaining.
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### PRICE DETERMINATION METHODS COMMONLY USED IN CITY OF CAMPBELL AGREEMENTS

Sale Proceeds Due to Owner Vs. Proceeds Due to City: Depending on the Price Determination Method used, the Fair Market Value of the home, and any liens and/or encumbrances recorded (including any interest or fees owed at time of sale), there will be a portion of the sale proceeds that are due to the Owner and a portion of the sale proceeds that are due to the City. The City's portion is considered Program Equity or Public Equity.

All BMR Homeowners must be in good standing with the program at the point that they would like to sell their home or refinance their home. If there are outstanding compliance findings, the City reserves the right to reject a request to sell or refinance.

#### Indexed Price Based on Area Median Income (Inclusionary Housing Units)

Each year, the State of California Department of Housing and Community Development publishes the statewide income limits. This determination method allows for a resale price that is based on an increase in the applicable Median Income based on the year of purchase. The table below includes an example of how the City / Program determines the BMR resale price:

Example of Indexed Price Determination	Information
Date of Resale	August 1, 2018
Date of Purchase	March 1, 2005
Original Purchase Price	\$300,000
Santa Clara County Median Income for Household of 4 at Time of Purchase	\$105,500
Santa Clara County Median Income for Household of 4 at Tie of Resale	\$125,200
Dollar Amount Change in Applicable Median Income	\$19,700
Percentage Change in Applicable Median Income	18.673%
Purchase Price Multiplier (Percentage Change + 1)	1.18673
Gross Maximum Restricted Resale Price Based on Applicable Median Income Change (Original Purchase price multiplied by the Purchase Price Multiplier)	\$356,019 (300,000 x 1.18673)



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Capital Improvement Credit (if Applicable) (All improvements must be pre-approved to obtain credit)	\$25,000
Deferred Maintenance Deduction Charged to Homeowner (if Applicable)	(\$5,000)
Net Preliminary Maximum Restricted Resale Price	\$376,019

### Equity Share Agreement (Density Bonus Units)

Under Campbell's equity sharing model (if applicable), the owner can sell the home immediately and capture a portion of the equity gained on the property after deducting the City share and the affordable subsidy (the difference between the affordable price and the market price). The City will acquire the subsidized difference as well as a share of the appreciation equal to the ratio of the city's initial subsidy to the fair market value of the home at the time of initial sale.

The Equity Share Percentage (%) is determined by dividing the Subsidy Amount by the Original Market Value. The example below shows two sales scenarios where the unit was purchased for \$475,000 with an Original Market Value of \$800,000

<b>Example of Equity Share Determination</b>	<b>Resale Scenario 1</b>	<b>Resale Scenario 2</b>
Sales Price at Time of Resale	\$800,000	\$1,000,000
Original Market Value at Time of Purchase	\$800,000	\$800,000
Appreciation	\$0	\$200,000
BMR Price	\$475,000	\$475,000
Subsidy Amount (Original Market Value minus BMR Price)	\$325,000	\$325,000
City's Equity Share Percentage Subsidy amount divided by Original Market Rate Value	40.625% 325,000/800,000	40.625%
Amount Paid to the City based on Subsidy Percentage	\$0	\$81,250
Total Gross Excess Sales Paid to the City (initial subsidy plus equity share)	\$325,000 (\$325,000 + 0)	\$406,250 (\$325,000 + 81,250)
Total Gross Excess Sales Paid to the Owner (this amount does not include the homeowner's paid principal amount)	\$0	\$108,000

### **OWNERSHIP AND ESTATE PLANNING**



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## Below Market Rate (BMR) Ownership

A “Transfer” means any sale, assignment or transfer, voluntary or involuntary, of any interest in the Home, including, but not limited to, a fee simple interest, a joint tenancy interest, a life estate, a leasehold interest (unless the lease is approved in advance by the City), or land contract.

Transfers by devise or inheritance to an existing spouse, Domestic Partner, child, surviving joint tenant, or a spouse as part of a dissolution proceeding in connection with marriage – are not considered Transfers. All Transfers must be approved by the City in advance and may be subject to the City’s Option to Purchase (See Section 5 to see description of “City’s Option to Purchase”).

Payable-on-Death (POD) Accounts and Transfer-on-Death (TOD) Deeds are two methodologies that will be considered for BMR Owners to designate beneficiaries and avoid having a BMR Unit become part of a probate case.

In the event a Transfer occurs, or a person receives the Home by devise, inheritance, or operation of law due to death of the Owner, the person inheriting the Home (the “Inheriting Owner”) must have their income and eligibility reviewed and approved by the City or Program to determine if they are an Eligible Purchaser. If approved, new documents will need to be signed and a new BMR term (generally 45-years) will be enforced.

New purchasers of BMR Units may not purchase the BMR Unit through a trust of any kind, including but not limited to living trusts. Existing BMR Owners may not transfer ownership of their BMR Units to trusts of any kind, including living trusts.

Owners of BMR Units should keep in mind that the Estate of the Owner is entitled to the Owner due proceeds upon any transfer that takes place during the Agreement term.

### **COMPLIANCE, ANNUAL CERTIFICATION, & ENFORCEMENT**

All BMR homeowners will be re-certified once a year for compliance with their signed and recorded deed restrictions on the property, including but not limited to occupancy, current title, and liens. Homeowners shall provide the Program with all pertaining documents listed on the program checklist (provided annually), in order to complete the full re-certification review and receive a certificate of compliance.

### **ANNUAL COMPLIANCE CERTIFICATION**

The Owner will receive an annual notification via US mail and/or email for the annual certification process. This notification will include a questionnaire and request for supporting documents (e.g., most current utility bill, mortgage statement, and insurance declaration page). The owner will have 30 days to comply.





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If an owner does not comply with the requirements or documentation within 30 days of the annual certification notice being sent, a 2nd notice will be sent providing a final deadline.

If the homeowner does not comply after the 2nd notice, the City will take enforcement actions, as described on the following page.

### **CERTIFICATION PROCESS**

Once all documents are received, the City or Program will:

- Ensure that there are no inconsistencies with the application file (e.g., misinformation or fraud committed during the application process);
- Determine if the property is owner occupied and confirm that the BMR home is not being rented;
- Review all liens against the property to ensure the property is not over encumbered;
- Review all transfers of title on the property reports;
- Review default notices or statements of any loans, taxes, or Homeowner Association dues; and
- Determine if the property is adequately insured and if secondary liens (i.e. down payment assistance loans, city loans or state loans) are referenced on the Insurance Declaration page.

If any of the above review steps require additional information from the Owner, a document request will be made and the Owner will be provided with a deadline to return the requested documents to the Program.

### **CERTIFICATION OF COMPLIANCE**

The BMR Owner will receive a certificate of compliance if the review is approved and in compliance with the requirements above.

### **ENFORCEMENT ACTIONS AND TIMELINES**

If the homeowner does not comply after the 2nd notice, the City or Program will file a Notice of Default with the County Recorder's Office and the homeowner will be notified. This Notice of Default becomes public record and may trigger additional action by any lenders who have an interest in the property.

If the homeowner is out of compliance on any of the above requirements, the homeowner will be provided with 60 days to comply and will be provided with action steps needed to cure any defaults (if there are possible actions to cure the default).



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90 Days from the date that the Notice of Default is filed with the County Recorder's Office, the City or Program will file a complaint with a court of competent jurisdiction. The City or Program will negotiate during mediation hearings in good faith prior to a trial date, but if an agreement is not reached, the case will be followed through to conclusion.

If the owner fails to cure the violation, the City will exercise its Option to Purchase the BMR home from the homeowner at a restricted resale price, described earlier in this Guide.

The Program reserves the option to apply to a court of competent jurisdiction if it deems legal action appropriate

### **REFINANCE & SUBORDINATIONS REQUESTS**

The information below and on the following page outlines the process for refinancing existing City loans, or subordination of any loan or deed of trust associated with a BMR property. Subordination of loans not issued by the City is necessary to protect the City's interest in maintaining the affordability of the property for the duration of the restriction term (typically 45 years). In most cases, the City's interest will be subordinate to any mortgage loans on the home, as outlined in the deed of trust and/or the signed resale restriction documents.

### **SUBORDINATION REQUIREMENTS**

BMR homebuyers may be allowed to refinance up to 90% of the Maximum Restricted Sale Price described in the signed deed restriction, or the remaining balance of the loan amount, whichever is less. The total payoff amounts for all recorded liens and encumbrance amounts are used to determine the 90% maximum refinance percentage. This percentage is sometimes called the Maximum Combined Loan to Value (Max CLTV). Please note the following requirements:

- Accrued interest on any subordinate financing will be considered in the Max CLTV.
- The Program will calculate the maximum restricted sale price according to the deed restrictions.
- The refinance amount cannot exceed 90% of the maximum restricted sale price.
- If the remaining balance of the original first loan is more than 90% of the restricted price, the original loan shall be paid down.
- No cash out is allowed if there are any City loans.



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- Payoff of purchase money mortgages are not considered cash out.
- Payoff of equity lines or junior financing that are not purchase money loans are considered cash out.
- Homeowners cannot add or change names to title without approval of the City/Program.
- Any request to change names on title shall be submitted to the City with supporting documents.
- If the requested change is due to marriage, the person being added will need to be on the first mortgage
- Addendums to the BMR agreement will need to be signed by any person added to the title or associated loan.
- If the requested change is due to divorce, addendums to the subordinate financing and BMR agreement shall be signed.
- A Performance Deed of Trust is required to protect the BMR deed restrictions and will be recorded against the property.

### MORTGAGE REQUIREMENTS

- First mortgage loan terms of 30, 20, or 15-year fixed rate fully amortized
- Equity lines, lines of credit (HELOCs), etc. or any junior loans are not allowed
- Adjustable rate, interest only, negative amortization, or balloon payments loans are not allowed
- Homeowner is required to use a loan officer on the City's BMR program approved lender list
- Rate and term refinance up to \$1,500 maximum cash out
- Recurring closing cost will not be allowed to be financed
- Non-recurring closing cost will be allowed to be financed as long as the new loan amount does not exceed 90% of the restricted value
- Escrow will be required to be opened with a Title company in Santa Clara County

Please Note: FHA/VA loans do not typically work with resale restricted properties due to federal requirements and/or lender requirements. Please check with your lender to ensure that they have reviewed the restrictions and whether the legal department has accepted the use of Government National Mortgage Association ("Ginnie Mae") financing with your resale restricted property.

### REQUEST TO REFINANCE PROCESS

Email: [campbell@housing-group.org](mailto:campbell@housing-group.org) to start the refinance process.

The City and/or Program will calculate the maximum restricted sale price within 14 days of receiving a complete application. However, if more information is needed, the



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process will be delayed until the Program receives all the requested information. Once all of the information is received and a price has been issued, it is valid for 6 months.

Homeowners shall then complete the refinance request forms and provide all of the supporting documentation to The City and/or Program.

The fully-packaged refinance request file will be reviewed and a final approval or denial of the request within 14 days of receipt of all required documents will be issued.

### MINIMUM REQUIRED DOCUMENTS FROM THE HOMEOWNER FOR REFINANCE / SUBORDINATION REQUESTS

OWNER DOCUMENTS	LENDER DOCUMENTS	ESCROW COMPANY DOCUMENTS
<ul style="list-style-type: none"><li>• Signed BMR refinance application</li><li>• Current mortgage statements with all balances</li><li>• Current Federal Tax returns</li><li>• 2 months consecutive paystubs</li><li>• 2 months current bank statements</li><li>• Copy of Driver's License and Social Security Card</li><li>• Subordination fee</li></ul>	<ul style="list-style-type: none"><li>• Borrower's authorization</li><li>• Credit report</li><li>• 1008 (transmittal)</li><li>• 1003 (application)</li><li>• DU (desktop underwriting)</li><li>• Preliminary Report</li><li>• Appraisal</li><li>• Approval letter</li></ul>	<ul style="list-style-type: none"><li>• Estimated Closing statement</li><li>• Payoff demand letter</li></ul>

### REFINANCE REQUEST APPROVAL

Once all documents are received, The City and/or Program will:

- Determine if the refinance follows the deed restrictions and does not exceed the maximum restricted price
- Determine if the borrower is in a better financial situation with the new refinance terms.
- Determine whether all requirements have been met.
- Review any additional liens on the property.
- Determine whether all existing loans, HOA dues and taxes are current. If not current, the application will be rejected.



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- Once approved, subordination documents and escrow instructions will be drawn and routed to the City for signatures.

Please note that City signatures can take up to 14 business days to obtain. It is highly suggested that you do not lock any interest rates on your proposed financing until you obtain city signatures.

### **CAPITAL IMPROVEMENTS AND SPECIAL ASSESSMENTS**

Homeowners must receive approval from the City / Program prior to making any capital improvements to a BMR home. BMR homeowners may begin claiming capital improvements toward their Maximum Resale Price, no sooner than 1 year after the BMR Unit was first occupied. Exceptions may be made for critical modifications (e.g., accessibility improvements) during the first year, if pre-approved by the City. Following City / Program approval for capital improvements, BMR Owners may begin submitting documentation of completed work for future credit. The City or Program will review all capital improvement claims and categorize them into three distinct categories:

Eligible Capital Improvements: Major structural system upgrades, new additions to the BMR Unit and improvements related to increasing the health, safety and energy efficiency of the property. The Improvements must conform with applicable building codes, and be pre-approved by the City in writing. To receive future credit, the initial cost must exceed one percent (1%) of the purchase price paid by the Owner. Improvements that meet these criteria will be given a maximum 100% credit, as determined by the City / Program.

Eligible Replacement and Repair: Eligible Replacement and Repair includes in-kind replacement of existing amenities, repairs and general maintenance that keeps the property in good working condition. Costs that meet these criteria will be given a maximum 50% credit for repairs, as determined by the City / Program.

Ineligible Costs: Cosmetic enhancements, installations with limited useful life spans and non-permanent fixtures. Homeowners may undertake these projects at their discretion, however they will not be given capital improvements credit.

Procedure for Submitting Capital Improvements: BMR Owners must submit proof of capital improvements to the City / Program for review within 6-months of the completion of the project. In order to document the improvements, each BMR Owner must submit the following documentation: (1) A list of the capital improvements with a description on a form provided by Program; (2) The receipt and invoice for each eligible improvement; (3) Proof of payment, such as a cancelled check, bank account statement or credit card bill; (4) A copy of site or building permits, if required; and (5) Contractor's license number for Projects exceeding \$500. Upon receipt of a complete capital improvements



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## **Below Market Rate (BMR) Ownership**

claim, the Program staff may arrange a site visit to inspect the completed Project.

Once the improvements have been verified, the Program will send a written response to approve or deny the capital improvements within 60 days of original receipt. This information will be placed in the property file for use when the property is sold.

### **Special Assessments**

Homeowner's Association (HOA) initiated special assessments are considered capital improvements and will be added to the resale price of the home at the full amount of the special assessment paid by the BMR Owner. In order to receive credit for special assessments, homeowners must submit the following documentation within 6-months of payment: (1) An invoice for the special assessment; (2) Proof of payment, such as a cancelled check, bank account statement or credit card bill; and 3) documentation from the HOA.

### **Capital Improvements Cap**

At the time of sale, the City will cap all eligible capital improvements at 10% of the resale price. This is to preserve the affordability of the BMR unit.

### **MAINTENANCE AND INSURANCE REQUIREMENTS**

The Owner shall maintain the Home, including landscaping, in good repair and in a neat, clean and orderly condition and will not permit deterioration of the Home.

The Owner shall maintain a standard all risk property insurance policy equal to the replacement value of the Home, naming the City as an additional insured. The insurance amount shall be adjusted every five years by appraisal, if requested by the City. Additional insurance requirements are set forth in the City Deed of Trust.

### **OWNERSHIP CHANGES, RE-SALES, AND APPROVED VENDORS**

The information below, and on the following page, outlines the process for transferring or changing ownership of the BMR home.

#### **OWNERSHIP CHANGES**

- Homeowners must review their BMR deed restrictions in order to determine if title can be transferred.
- Outside of divorce, marriage or name change, the new owner must be eligible and qualified for the BMR program, as determined by the City / Program.



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- Written approval from the City/Program is required.
- Changes are not permitted if the homeowner has violated any of their Deed Restrictions.
- Any request to remove, add, or otherwise change ownership of the BMR home shall be accompanied by the following documents:
  - Divorce: Copy of court order
  - Name change: Copy of legal documents
  - Marriage: Copy of Marriage Certificate
  - New ownership: All required documents per the City / Program
  - Trusts are not allowed.
  - Inheritance is not permitted, unless otherwise allowed per the deed restrictions

### RE-SALES

The homeowner shall email [campbell@housing-group.org](mailto:campbell@housing-group.org) for one-one-support to resell their home.

The homeowner shall provide all requested documents to the Program in order to begin processing the resale request.

Once all required documents have been received, the Program will:

- Review the deed restrictions along with any liens recorded on the property.
  - Assignment of Option is required if owners wants to continue with sale
  - Complete an initial walk-through of the property, to determine the amount of work needed to sell the BMR home.
  - Schedule inspections of the property (contractors, appraiser, vendors, etc.)
  - Obtain a preliminary quote from vendors.
  - Review quotes and schedule a walk-through of the property with the City.
  - Adjust contractor/vendor bids, if needed, and obtain a final quote for property improvements.
  - Obtain approval of the quote from the City.
  - Calculate the Maximum Restricted Sale Price per the deed restrictions, accounting for all required and approved improvements to the property.
  - Create the listing agreement or purchase agreement if needed.
  - Prepare the property for resale through the Lottery/Opportunity Drawing process.
- All real estate/transaction fees are the responsibility of the seller.
- The owner shall sign the Property Pricing form and Opportunity documents.

### APPROVED VENDORS



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### Below Market Rate (BMR) Ownership

All vendors shall be approved by the Program. The table below outlines the minimum requirements for any vendor associated with resale of the property:

<b>CONTRACTORS</b>	Contractors shall have a valid California Contractor License.
<b>LENDER/LOAN OFFICERS</b>	Loan Officers shall have previously attended a loan officer orientation class. The lender's legal department shall approve all BMR documents prior to resale.
<b>TITLE COMPANY</b>	The Title Company shall be based in the County of Santa Clara.
<b>APPRAISER</b>	Appraisers shall have a valid California State Certification or California State License that has not expired.