

IHCDA HOME Homebuyer Program

Selling the Unit – Part II: Putting the Numbers Together

Session 6

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IHCDA's Mission and Vision

Our Mission

To provide housing opportunities, promote self-sufficiency, and strengthen communities.

Our Vision

An Indiana with a sustainable quality of life for all Hoosiers in the community of their choice.



Agenda

- Updating the Development Budget
- Calculating Development Sources
- Understanding Proceeds
 - Program Income and Repayment
 - CHDO Proceeds
 - CHDO Reuse Requirement

Updating the Development Budget

Development Budget

- The Pro-Forma Closing Tab will include the Development Budget.
- All costs should be included.
 - Remember to include Seller's Closing Costs, Marketing costs, Realty fees as part of the TDC.
 - Cost of Volunteer Labor, Donated materials, Donated Property should also be included.
- If there has been a change in TDC or in the sales price from what was projected, the Development Subsidy/Appraisal gap will change.

Development Budget

- Column E will show any changes from the original commitment tab. If there have been changes in cost, please provide documentation of those changes.
 - Change order
 - Updated invoices
- IHCD must document to ensure an evaluation of cost reasonableness.

	Total Acquisition	45,000	0
Hard Construction Costs			
Tap Fees			0
Site preparation/on-site infrastructure			0
Residential Structures	162,000		12,000
Free-standing Accessory Structures			0
Landscaping			0
Appliances	5,000		(5,000)
Contractor Profit/OH/GC (if not included above)	10,000		0
Construction Contingency			0
Total Construction:	177,000		177,000

Development Budget – Developer Fee

- IHCD strongly recommends taking a developer fee.
- Use of HOME for developer fee is capped at 15% of the allotted HOME per unit.
- Developer Fee does not have to come from HOME – it can also be paid at closing and would be seen on final closing disclosure.

Developer Fee		
Subtotal of Hard/Soft costs	248,000	
Developer Fee Calculation	37,200	15.00%
Dev. Fee Requested/Proposed	10,000	0
Dev. Fee To Be Paid Prior to Closing		
Total Developer Fee:	10,000	

Calculating Development Sources

Development Sources

- The Development Sources columns will integrate the Budget, the Buyer Analysis and Sources all together.
- Pro-Forma will put total TDC, any costs (i.e., Seller's Closing Costs, or Developer Fee to be paid from proceeds) and will calculate the Development Period costs.

Development Sources		+ / (-)
Total Development Costs	260,500	10,500
Costs Paid from Sales Proceeds	12,500	12,500
Dev. Period Costs	248,000	(2,000)

Final Development Subsidy

- Gross Development Subsidy/Appraisal Gap will pull from final Development Budget.
 - TDC (-) Final Sales price
 - NOTE: if final sales price exceeds TDC, non-buyer subsidy use of HOME will convert to Interim Construction Financing and will be considered proceeds.
- The total of other grants should be added. This is calculated as additional Development Subsidy. Examples can include:
 - Donations/discounts (including volunteer labor)
 - Waived Fees
 - Philanthropic Support
 - Public Funding

Gross Dev. Subsidy	85,500	10,500
Other grants (applied to Permanent financing)	25,000	0

Equity, Loans and HOME

- Equity that is expected to be paid from proceeds should be included.
 - This generally is equity from the Seller themselves.
 - This could also include CHDO proceeds (more later).
- Any construction loans subject to repayment upon sale would be included.
- The HOME drawn (total HOME award from IHCD) would be included.
 - Include retainage.

Equity (repayable from proceeds)	98,000	(2,000)
Construction Loan(s) (repayable from proceeds)		0
Other (please provide supplement with information)		0

Ensuring Sources = Uses

- Subtotal of Development Period Sources will calculate.
 - TDC (-) Costs paid from Sales Proceeds
- Pro-forma will then ensure there is not source gap – this should always show \$0.
- If there are changes in sources, updated documentation must be provided.

Subtotal of Dev. Period Sources	248,000	
Balanced/Gap (should be \$0)	0	

Where did the HOME go?

- Summary of HOME Investment will provide final underwriting looking at the use of HOME for Development Subsidy, for Buyer Assistance, and any Interim Construction Financing.
- HOME for Development Subsidy is based on TDC, Sales Price, Cost paid from Proceeds, and any Grants used toward the Development Subsidy.
- Buyer Subsidy is calculated under the buyer analysis section and is based on Sales Price, Closing Costs, Buyer's Cash Investment, Buyer's Mortgage, and any other assistance toward the purchase.
- HOME Construction Loan (interim financing) is based on the total HOME award (-) HOME development subsidy (-) HOME buyer subsidy.

Summary of HOME Investment		
HOME for Dev. Subsidy	85,500	35,500
HOME Buyer Assistance (passed-through)	20,200	(15,550)
HOME Construction Loan (Proceeds)	19,300	(19,950)

Return of Funds to Seller

- Return of any developer equity and balance of the developer fee would be returned to the seller/developer.

Funds to Seller on Settlement		
Return of Equity	98,000	
Balance of Dev. Fee	10,000	
Total Funds to Seller/Developer	108,000	

Understanding Proceeds

What are proceeds?

- Proceeds are generated when the amount of HOME funds received by the developer is more than the HOME Developer Subsidy and HOME Buyer Subsidy.
- We consider this “Interim Construction Financing” and not permanent financing.
- Under the HOME regulations, Proceeds are defined as “Program Income” and are required to be repaid to IHCDA if a non-CHDO.
- If a CHDO, Proceeds can be considered “CHDO Proceeds” and are not required to be repaid, but subject to the CHDO reuse agreement and IHCDA tracking.

What are proceeds?

- As part of the final underwriting, IHCDA will certify the amount of proceeds.
- Not every deal will have proceeds.
- If there are proceeds to be generated by the sale of the property to the homebuyer, the Developer will be required to pay the proceeds to IHCDA within 30 days of closing on the unit. There is no interest on the repayment of proceeds.
- Proceeds may be returned to IHCDA via IHCDA Online or as a mailed check.

CHDO Proceeds

- If a developer certifies as a CHDO upon application, then the developer's proceeds are not considered Program Income, but instead CHDO Proceeds.
- No repayment is required – the CHDO may keep those proceeds.
- IHCDA will determine the appropriate amount of CHDO Proceeds through the final underwriting.
- IHCDA may choose to implement a cap on those proceeds to be retained by the CHDO.

CHDO Proceeds Reuse Requirements

- CHDO Proceeds must be utilized for housing activities that benefit low-income families at or below 80% AMI but does not have to be HOME eligible.
- Eligible examples include:
 - Emergency Repairs
 - Housing Production (including other homebuyer projects)
 - Project operating cost and reserves
 - Housing Refinancing Costs
 - Operating Expenses
 - Housing Counseling
- CHDO Proceeds cannot be use as match on another HOME award.

CHDO Proceeds Reuse Requirements

- Up to 5% of the CHDO Proceeds may be used for Administrative Uses/Operational purposes.
- Up to 15% of the CHDO Proceeds may be used as a Developer Fee.

CHDO Proceeds Reuse Requirements

- CHDO Proceeds are NOT subject to cross-section regulations, including:
 - Davis Bacon
 - Environmental Review/Section 106
 - Uniform Relocation Act
- Funds generated from the use of CHDO Proceeds are not considered proceeds. Thus, only the first use of CHDO Proceeds must be tracked and used for an eligible activity.
- CHDO Proceeds are still considered Proceeds through the first use even if the HOME Development Agreement with IHCD has expired.

CHDO Proceeds Approval

- CHDO must submit a formal request, signed by CHDO's Executive Director/Board Chair to IHCDA identifying the use of the CHDO proceeds.
- This may be submitted either with other pre-closing documentation or within 30 days of closing and approval of the final pro-forma.
- If the request is not submitted within 30 days after closing, the funds will be considered Program Income and will be required to be repaid to IHCDA.
- CHDOs may submit modification requests on the use of the proceeds.

CHDO Restrictions and Decertification

- IHCDA will not allow CHDO to retain any Proceeds on units that place a third-lien on the property with a payable note that takes the place for needed additional subsidy that could have been negated with HOME Homebuyer Subsidy Funding.
- Failure to use existing CHDO Proceeds on eligible activities may result in caps on retention of CHDO Proceeds for future specific projects.
- If during the POA, the CHDO becomes decertified, or no longer has a mission of providing affordable housing, then all CHDO proceeds are required to be paid back to IHCDA.

CHDO Reporting Requirements

- All CHDOs with CHDO Proceeds will be required to submit quarterly reports to IHCDA that document the use of the CHDO Proceeds and the net balance remaining.
- Reporting should include when those Proceeds are used, the amount used, date received, and identification of the use (and address if property-based).
- Reporting is only required for the first use of CHDO Proceeds.

Upcoming Training (the last one!) –

Monday, December 2, 2024

9:30am

Post Closing Requirements

- Resale and Recapture Requirements
- Closeout documents:
 - Liens
 - HOME Agreement
- Completion Reporting
- Final Draw Request
- Notice of Project Completion
- On-Going Compliance
- Annual Certification of Completion
- Refinancing and Subordination policies

ANY QUESTIONS?

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