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**MATCH AND LEVERAGE**

**MATCH**

HOME requires each Participating Jurisdiction (PJ) to contribute 25% match for every entitlement HOME dollar drawn for project costs. The match requirement must be satisfied by the end of the Federal fiscal year, which is September 30th. To help ensure IHFA's ability to continue to meet its annual match liability, project applications must clearly document 25% eligible HOME match will be provided. A project application may be recommended for denial if it does not clearly document a minimum of 25% eligible HOME match.

Match Contributions add to the resources available for HOME-assisted and/or HOME-eligible projects<sup>1</sup>

- Match obligation is created with each draw of HOME funds
- Match liability is incurred at the time HOME fund are drawn
- Match contribution (match credit) does not have to be invested in the project, or even the same

<sup>1</sup> If applicant seeks HOME Match credit for a HOME-eligible activity (is not HOME-assisted but is an affordable housing activity that otherwise meets the HOME Program requirements, i.e. affordability restrictions, income eligibility, etc.), a written request must be submitted to IHFA prior to submitting an application. Request must describe the proposed activity in detail and applicant believes it meets the HOME Program requirements. Applicant is advised that while this type of match may be technically eligible under HOME Program, the IHFA compliance monitoring may present an unacceptable administrative burden to IHFA, and therefore not allowed.

- activity
- Match is a permanent contribution to HOME affordable housing
- Match is not leverage; leverage can be match

### **Reduction of the match contribution**

- Fiscal distress
- Severe fiscal distress
- Presidentially declared major disasters covered under the Stafford Act

### **No Match requirement**

- HOME Administrative funds
- CHDO Operating Assistance Grant funds
- CHDO Predevelopment loan if the project does not go forward
- **Housing Trust Fund**

### **Eligible Match**

- Non-Federal Cash or Cash Equivalent
- Forbearance of Fees and Waived/Reduced Taxes
- Value of Donated Land or other Real Property
- Investments in On and Off-Site Infrastructure
- A percentage of the proceeds of State or Local Housing Bonds
- Value of Donated Materials, Equipment, Labor and Professional Services
- Sweat Equity
- Direct Costs of Supportive Services to residents of HOME projects
- Direct Cost of Homebuyer Counseling to families purchasing homes with HOME assistance.
- McKinney Act Programs
- Contributions to the single-family development of HOME-assisted or HOME-eligible homeownership projects can count toward match credit only if (1) the amount by which the investment reduced the sales price to the homebuyer, or (2) if development costs exceed the fair market value for the housing, in an amount by which the contribution enables the housing to be sold for less than its development cost

### **Non-Federal Cash or Cash Equivalents**

There are many eligible forms of cash match. Cash assistance may be contributed from a public or private non-federal source as long as the contribution is permanent.

### **Forbearance of Fees and Waived/Reduced Taxes**

Match for the value of foregone fees, taxes or charges apply only to HOME-assisted projects.

### **Waived fees**

- State and local taxes, charges, and fees (as applied each year)
- Value of foregone real estate taxes must be based on post-improvement value
- Value of fees, taxes or charges foregone for future years is the present discounted cash value of the amount forgiven, based on the Treasury security rate closest in maturity to the number of years for which fees, taxes, or charges are foregone

- Other charges and fees
- Title searches
- Title insurance premiums
- Utility hook-ups or surcharges

### **Value of Donated Land or Other Real Property**

Land or real property permanently contributed to a HOME-assisted project is a source of match. Property may be donated or sold at below market rate. Owner Equity is not eligible as match.

If a property acquired with non-federal resources is donated to a HOME project, the match credit is equal to 100% of the appraised value minus any debt burden, liens, or other encumbrances.

- Properties may be donated by: the PJ, non-federal public entities, private entities, or individuals.
- Properties **may not** be donated by applicants for or recipients of HOME assistance or contracts, or investors who **own**, are working on, or are proposing to apply for HOME assistance. See 24 CFR 92.220

The value **must be** determined by an appraisal<sup>2</sup>:

- Appraisal must be performed by an independent, certified appraiser
- Appraisal method must conform with generally recognized practices and procedures.
- Opinions of value must be based upon the best available data.

Properties acquired with federal funds and donated, can prove match credit under certain circumstances:

- The properties must have been acquired specifically for HOME-assisted housing.
- Property must have been acquired at demonstrably below the appraised value; and
- The seller must acknowledge the sale at below-market value as a donation to affordable housing at the time of acquisition

### **Investments in On and Off-Site Infrastructure**

Infrastructure improvements must be directly related to HOME projects. The infrastructure improvements must directly facilitate the occupancy of HOME units. Examples include:

- Streets
- Sidewalks
- Gutters
- Street lights

### **Utility Lines and Connections**

The improvements must be completed no earlier than 12 months before HOME funds are committed to the project. The improvements must be paid for from non-federal resources.

Infrastructure improvements are credited when the funds are expended or if the improvements were made prior to the commitment of HOME funds, when the HOME funds are committed.

### **Donated Materials, Equipment, Labor and Professional Services**

The value of donated materials for site preparation and construction of HOME-assisted units may be counted as match.

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<sup>2</sup> Unless a Homebuyer Properties activity and IHFA has approved the alternative method of establishing value of the land.

- Materials must have been purchased with non-federal funds
- IHFA will use normal cost estimating procedures to determine the value of materials, and will document its value determination

The reasonable value of the use of site preparation and construction equipment donated may be counted as match:

- The full value of the contribution may be counted (rental rate x number of hours/day for which it was donated)
- Documentation of the match must include a letter from the equipment owner stating the rental rate and number of hours/days donated.

The value of any donated or volunteer labor, including professional services, can be eligible for match:

- HUD has established hourly labor rates for donated unskilled labor at \$10.00 per hour.
- Skilled labor and professional services will be valued at the rate normally charged by the entity providing the service.
- The value of labor or professional services provided at a reduced rate to the project may be counted as match, provided the individual or entity agrees to accept the reduced rate.
- Donations of material, equipment use, labor, and professional services are credited at the time they are used or contributed to the project.

### **Sweat Equity**

- The contribution will be valued at the rate of unskilled labor. This rate is established by HUD
- The value of the labor can be contributed up to the time of project completion
- Sweat equity must be contributed as part of an established program (Self-Help, Homebuyer)

### **Direct Costs of Certain Supportive Services**

IHFA may count the direct cost of supportive services provided to residents of HOME-assisted units if the services are

- Paid with non-federal funds
- Provided during the period of affordability
- Necessary to facilitate independent-living
- Required as a component of a self-sufficiency program that is provided to residents

Examples of services

- Case management
- Mental health services
- Assistance with tasks of daily living
- Substance abuse treatment and counseling
- Daycare
- Job Training and counseling

Direct costs counted as match are limited to salary costs and the cost of materials directly related to the provision of these services. Overhead costs such as rent and utilities are not considered direct cost. Match is credited at the time the services are provided.

### **Homebuyer Counseling**

IHFA may count as match the direct cost of counseling provided to families that complete home purchases with HOME assistance.

- Counseling may include pre-purchase and/or ongoing counseling during the period of affordability

- The counseling may be provided as part of a program that is not HOME specific, for example, a lender offer homebuyer-counseling program for non-profit program. However, only the costs of services to families that complete purchases with HOME funds count toward the match.
- Direct costs that may be counted include salaries and the cost or materials directly related to the counseling.
- Credit is at the time the counseling services are provided

**Cash Match**

Non-federal public and/or private sources

Acceptable Sources of Cash Match	Unacceptable Sources of Cash Match
<ul style="list-style-type: none"> <li>• Local or state general revenues</li> <li>• Housing Trust Funds</li> <li>• Foundations, donations</li> <li>• Program income from certain closed out federal grants</li> <li>• Interest rate subsidy achieved by the exemption of state or local taxes</li> <li>• Present value of loans made at rates below market rate</li> </ul>	<ul style="list-style-type: none"> <li>• CDBG funds</li> <li>• Monies from federal grants</li> <li>• Funds raised through federal low income housing tax credits</li> <li>• Interest rate subsidies attributable to federal tax exempt financing</li> <li>• Owner equity in a project (with the exception of sweat equity)</li> <li>• Cash contribution from investors, applicants for or recipient of HOME assistance</li> <li>• Expenditures on program administration</li> </ul>

**Match Credit and Uses of Match Funds**

IHFA must monitor and track all HOME match contributions. It is important to note that match obligations accrue as HOME funds are spent. Matching funds must be used in conjunction with housing that receives HOME funds or meets the affordability requirements of the HOME Program.

Matching requirements are monitored by HUD on a program basis, not a project basis. Excess match funds expended on one project may be used to match HOME funds for another project. Excess matching funds may also be carried over from one federal fiscal year to the next.

**Example A:** \$400,000 is drawn down for HOME Project A, a new construction project, and a \$100,000 match obligation is incurred. \$100,000 is spent by another entity to provide down payment assistance for 20 first-time homebuyers following HOME regulations. The \$100,000 is credited as match to Project A.

**Example B:** Project B is the rehabilitation of a 200-unit apartment complex. All units are HOME eligible. \$400,000 of HOME funds is drawn down and \$200,000 in matching funds is used to finance the project. Since the match obligation is only \$100,000 (25% of \$400,000) for this project, \$100,000 of match can be "banked" and applied to another HOME project.

**Example C:** Project C is a rehabilitation project requiring \$100,000 in HOME funds and incurring a \$25,000 match obligation. Project D, across town, is a new construction project of 10 single-family homes requiring \$400,000 in HOME funds and incurring \$100,000 in match obligation. All of the units in Project D are HOME eligible. The City

completes \$125,000 in infrastructure improvements associated with the 10 homes using non-federal funds. Both projects have met their match requirements.

### **Eligibility of Project Expenditures as Match Credit**

If 51% or more of the units in a project (rental) qualify as HOME-eligible housing, matching funds invested in the entire project count as match. However, if less than 51% of the units qualify as HOME-eligible housing, only the matching funds contributed to the HOME eligible units count as match.

**Example D:** A rehabilitation project consists of 20 units. Five of the units are HOME assisted. The remainder is market rate. A private grant of \$50,000 is obtained to assist in completion of the improvements to the project. Only \$12,500 can be counted as match since only 25% of the units in the project are HOME assisted or affordable under the HOME definition.

**Example E:** If the above project had 11 affordable or HOME units, 100% of the grant would count as match.

### **Match Obligation Incurred**

Match obligation must be met on a federal fiscal year basis (federal fiscal year: October 1 to September 30). Funds drawn during one fiscal year must be matched that same year or with excess match from a previous year. When match is credited depends on the source of match. For example:

- A cash contribution is credited when the funds are expended;
- The grant equivalent of a below-market rate interest loan is credited at the time of the loan closing;
- Donated material is credited as match at the time it is used for affordable housing;
- Donated and/or discounted professional services or voluntary labor is credited at the time the work is performed;
- The present discounted value of foregone taxes, fees or other charges is credited at the time it is officially waived, foregone or deferred and the owner is notified;
- Donations of land or real property are credited at the time ownership of the property is transferred, and;
- Infrastructure improvements are credited when the funds are expended or, if the improvements were made prior to commitment of HOME funds, when the HOME funds are committed.

### **Excess Match**

Contributions that exceed the PJ's match liability for the fiscal year are carried over for future match liability. Excess match does not have to be applied to a specific project or activity.

### **Ineligible Match**

- Contributions made with or derived from federal resources of funds, regardless of when the funds were received or expended.
- Interest rate subsidy attributable to the federal tax exemption on financing.
- Owner equity or investment in the project (except sweat equity).
- Cash or other forms of contributions, from applicants or recipients, of HOME funds.
- Contributions counted as match toward any other federally funded program.
- Other federal funds including Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG), Urban Renewal, Low Income Housing Tax Credits, and Homeownership Opportunities for People Everywhere (HOPE).
- Developer's own waived fees.

**LEVERAGE**

HOME funds are considered gap financing and used as one source of funding in a project. Applicants are required to utilize other funds in a project.

Leverage is defined as all other sources of funding in a project. Leverage includes match. Leverage is essential for a successful project.

**SOURCES OF LEVERAGE**

- Bank loans
- Other loans
- Other federal funds, loans or grants (USDA-RD, CDGB, SHOP)
- Contributions to units that are not HOME assisted or HOME-eligible
- Forms of owner equity