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## MATCH AND LEVERAGE

### MATCH

HOME requires IHFA to contribute 25% match for every HOME entitlement dollar drawn for a project.

This match liability must be satisfied by the end of each Federal fiscal year, September 30<sup>th</sup>. To help ensure IHFA's ability to continue to meet its annual match liability, project applications must clearly document eligible HOME match. A project application may be denied if it does not provide the minimum of 25% eligible HOME match.

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

### Definition

- Match obligation is created with each draw of HOME funds
- Match liability is incurred at the time HOME funds are drawn
  - Match contribution (match credit) does not have to be invested in the project or even the same activity
- Match is a permanent contribution to HOME affordable housing
- Match is not leverage; leverage can be match
- Cannot be federal funds

### No Match Requirement

- HOME Administrative funds
- CHDO Operating Assistance
- CHDO Predevelopment loan if the project does not go forward
- Housing Trust Fund Program
- Neighborhood Stabilization Program

### Eligible Match

- Non-Federal Cash or Cash Equivalent
- Forbearance of Fees and Waived or Reduced Taxes
  - Reduced or waived taxes/fees can be match eligible, however this type of match can only be applied at the time the unit of government waives or reduces the fee or taxes.
  - To apply the match, Owner must provide IHFA with formal documentation from the local unit of government that includes property address and/or legal description, date of the reduced or waived fee or taxes, and the amount of reduced or waived. When the documentation is received, IHFA will then prorate HOME's fair share of the waived or reduced fee/taxes.
    - HOME's prorated share is determined by the total number units in the project, divided by the number of HOME/HTF assisted units in the project, times the number of HOME/HTF assisted units.
- 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

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<sup>1</sup> If Owner 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 requirements may be required, and therefore an unacceptable administrative burden.

- 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-Vento 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

### **Ineligible Match**

- Contributions made with or derived from federal resources/funds.
- 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.
- Any property purchased with non-federal funds then donated by the applicant (owner, developer) or recipient of HOME funds or contract, including investors who own, will work on, or apply for HOME assistance. See Chapter 6- Identify of Interest for more information

### **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 Taxes**

Match for the value of foregone fees, taxes or charges as they apply to a HOME-assisted project, and only at the time they are given by the government entity.

### **Waived fees**

- State and local taxes, charges, and fees as applied each year
- Title search
- Title insurance premiums
- Utility hook-ups or surcharges

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

Property may be donated by the PJ, non-federal public entities, private entities, or individuals.

Land or real property permanently contributed to a HOME-assisted project if the property was acquired with non-federal resources. The match credit is equal to 100% of the appraised value less any debt burden, liens, or other encumbrances.

- Property cannot be donated by applicant or a recipients of HOME assistance or contracts, or an investor who owns, is working on, or receives HOME funds [24 CFR 92.220]

The value **must be** determined by an appraisal:

- Appraisal must be performed by an independent, certified appraiser
- Appraisal method must conform to 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. See Exhibit O for more information.

### **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.

- 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**

The direct cost of salaries and materials directly related to the provision of the services, provided to residents of HOME-assisted units is eligible as match. Overhead costs such as rent and utilities are not considered a direct cost. Match can be credited only at the time the services are provided and

- Paid with Non-Federal funds
- Provided during the period of affordability
- Necessary to facilitate independent-living of the residents
- 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

### **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.

Excess match may be used for another project in another year

**Eligibility of Project Expenditures as Match Credit**

If 51% or more of the units in a project 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.

**Match Obligation Incurred**

Match obligation must be met each federal fiscal year (October 1 to September 30). 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/deferred and the owner is notified by the unit of government;
- Donations of land or real property are credited at the time ownership of the property is transferred, and;
- Infrastructure improvements 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.

**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.

**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