

## HDF GRANT SUMMARY

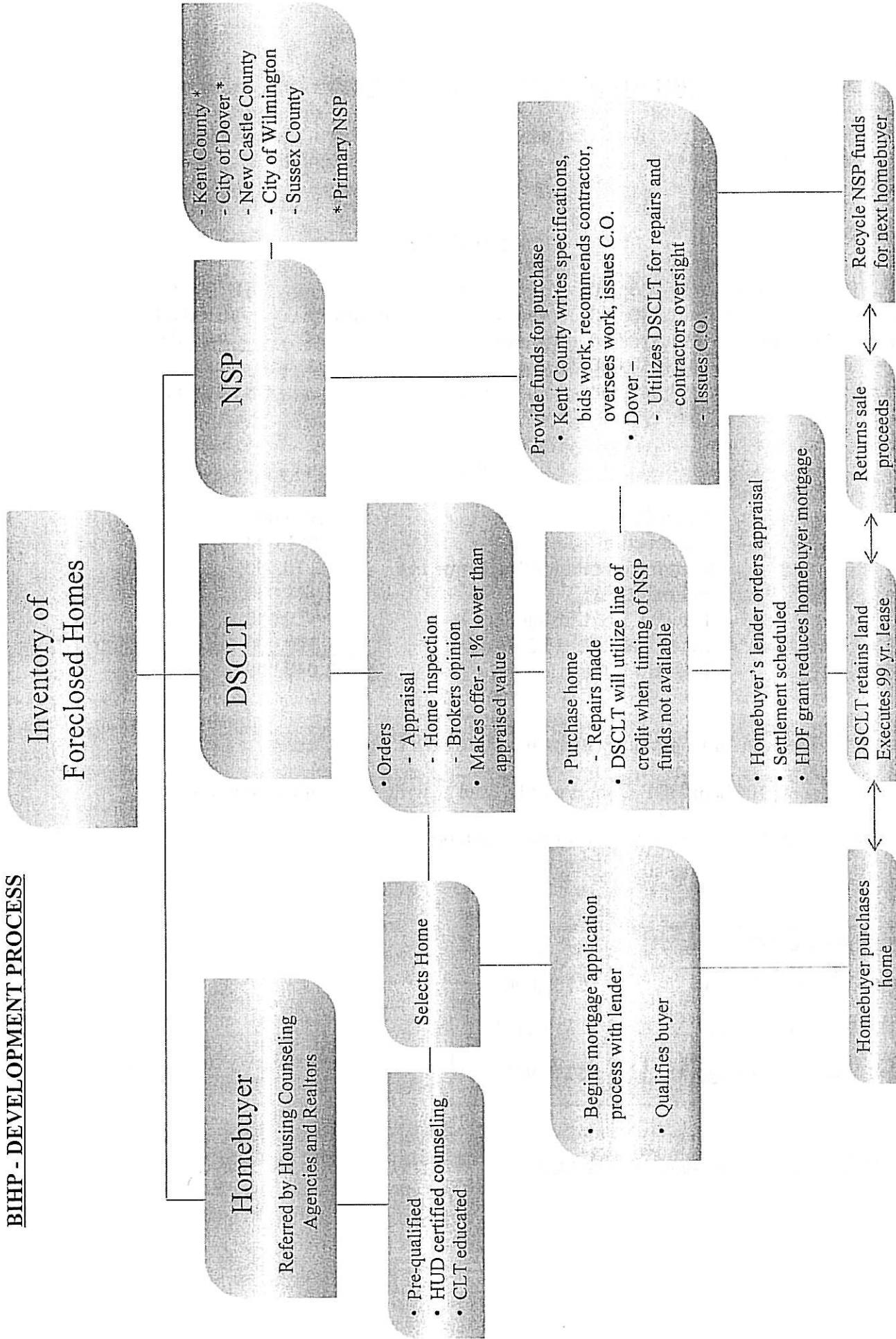
- APPLICANT: Diamond State CLT, Inc. (DSCLT)
- DEVELOPMENT NAME: DSCLT - Buyer Initiated Homeownership Program (BIHP)
- GRANT REQUEST: \$319,984 – 16 Homes over a two-year period.  
\$19,999/house.
- BENEFICIARIES: Two households will be at 60% Area Median Income (AMI) or below and 14 households will be at 80% AMI or below. All households must complete housing counseling and community land trust education.
- PROGRAM DESCRIPTION:
- Acquisition and rehabilitation of 16 Neighborhood Stabilization Program (NSP) homes located in targeted zones throughout the State. Priority will be given to homes located in Kent County. NSP was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.
  - DSCLT has developed 24 homes since 2006. 19 of those homes are NSP homes. Of the 19 NSP homes: 6 are sold, 5 are under contract, 3 have been rehabbed and completed, and 5 are in the rehabilitation phase.
  - DSCLT and Kent County and City of Dover have a memorandum of understanding for the NSP program and will be the primary funders of the BIHP.
  - The program will be buyer initiated and is modeled after the successful Sussex County NSP program. The buyer is pre-screened for eligibility and chooses the home. Increased marketing and educational efforts with realtors and housing counseling agencies will be completed during the 2-year grant period to find eligible buyers.
  - Current CLT homebuyer lenders are Wells Fargo, Trident Mortgage, and Bank of America.
  - Time line 3-4 months for homebuyer to select and purchase home.
  - Sale price of units are expected to range from \$96,000-\$150,000 and homes are located in selected zip codes and/or census tracts for the NSP program.

- 100% of the HDF grant will be used to reduce the homebuyer's mortgage. HDF funds are to be used for homebuyer subsidy and there will be a 10-year restriction period on the DSCLT land. Pro-rata payback of grant if land is sold or transferred by DSCLT before the end of the restriction period.
- The CLT offers a rung on the housing ladder that was previously unavailable to the household. Households that have demonstrated the stability to be homeowners, but have low or moderate incomes can stabilize their long-term housing costs, gain moderate levels of equity and live in quality neighborhoods that otherwise may have been unaffordable.
- CLT homebuyers must obtain permission from the CLT to re-finance for first mortgage and the CLT has first right of refusal. The CLT has a continual relationship with homebuyer throughout their 99 year lease.
- As requested by Council on Housing, DSCLT provided a report to DSHA on their progress with their \$150,000 HDF Grant in 2010. The following information summarizes the HDF grant and recent activity:

Address	Status	Funds	AMI of Initial Buyer
220 Fulton, Dover	Sold 9/25/09	\$30,000	75%
122 E. Lake, Middletown	Sold 6/30/10	\$30,000	49%
130 E. Lake, Middletown	Sold 8/19/10	\$30,000	30%
128 E. Lake, Middletown	Sold 9/29/10	\$30,000	30%
	Total	\$120,000	

The fifth and final home planned for HDF grant was sold 1/14/11, due to delays in the mortgage process, after the HDF agreement ended in late 2010. On the overall project DSCLT experienced significant delays because their development partner, at the time of the approval of the HDF grant, pre-sold the homes that were to be reserved for DSCLT. Fortunately DSCLT was able to find a new partner in Habitat for Humanity of New Castle County to carry on.

**BIHP - DEVELOPMENT PROCESS**



**SOURCES AND USES OF FUNDS**

**CONSTRUCTION**

**PERMANENT**

**SOURCES:**

NSP - (Kent County)	\$ 900,000	Sales Proceeds	\$1,760,000
NSP - (City of Dover)	270,000	HDF (Sales Subsidy) **	319,984
NSP Revolving Fund	1,520,000	NSP ***	<u>960,016</u>
ICE*	<u>350,000</u>		
<b>TOTAL</b>	<b>\$3,040,000</b>	<b>TOTAL</b>	<b>\$3,040,000</b>

**USES:**

Acquisition	\$ 1,920,000
Construction	861,600
Realtor Commission/Marketing Fee	70,400
Holding Costs	48,000
Transfer Tax/Closing Fee	20,000
Developer's Fee (3.5%)	<u>120,000</u>
<b>TOTAL</b>	<b>\$ 3,040,000</b>

\* ICE - Institute for Community Economics (DSCLT Line of Credit).

\*\* Represents 100% of HDF request will be used as write down of the first mortgage.

\*\*\* NSP rehabilitation and soft costs (approx. \$60,001 per unit).

<b><u>Homebuyer Assistance – Example</u></b>	
Approximate Sales Price:	\$130,000
HDF Mortgage Subsidy:	<u>-19,999*</u>
Homebuyer First Mortgage:	<b>\$110,001</b>

\* DSHA 2<sup>nd</sup> lien 10-year retention agreement.

**RECOMMENDATION:**

- Approval of a \$319,984 grant for a period of two years.

**CONDITIONS OF FUNDING:**

1. DSCLT must secure first mortgage funding for the homebuyers prior to release of Grant proceeds.
2. Appraisals acceptable to DSHA.
3. Homebuyers must receive HUD approved housing counseling and community land trust education. Two households will be at 60% Area Median Income (AMI) or below and 14 households will be at 80% AMI or below.
4. DSHA will receive quarterly progress reports on the use of its funds and copies of settlement documents on each home purchased. The information in these reports will include for each unit: address, description and cost of repairs made, family composition, selling price and amounts of first and second mortgages, and other information that DSHA may request.
5. Full disclosure by DSCLT to homebuyers of funds being made available to them through DSHA.
6. DSCLT agrees to submit annual audited financial statements to DSHA.
7. DSHA's grant fund will be approximately \$19,999 per house, unless otherwise approved by DSHA and will have the same amount as a retention agreement for a 10-year period. HDF funds will be used for homebuyer subsidy and the 10-year restriction period will be on the DSCLT land. Pro-rata payback of grant is required if the land is sold or transferred by the DSCLT.
8. Selling price of units is expected not to exceed \$150,000. Sales price must not exceed appraised value ordered by homebuyer's lender.
9. Funds may be drawn by DSCLT only when the homebuyer has been approved and closing has been scheduled and upon DSHA's receipt of homebuyer's mortgage commitment, preliminary HUD-1 statement and satisfactory homebuyer lender inspection report. DSHA will disburse funds to settlement attorney prior to permanent closing.
10. DSHA may inspect properties to assure that rehabilitation is being completed in a satisfactory manner and to local codes.
11. DSCLT is permitted to utilize the BIHP with the other NSP jurisdictions within the State of Delaware (City of Wilmington, New Castle County and Sussex County), when applicable and DSHA funds are available. All conditions of DSHA's grant will apply to all jurisdictions of NSP programs.

12. Prior to further requests of HDF funding, DSCLT shall meet the terms of the executed grant agreement (which should include the sale of the 16 NSP homes) and should demonstrate successful performance or completion of the approved project.
13. Should development fall short of expectations, DSCLT should notify DSHA to identify the problem and avoid termination of development.
14. DSCLT will cover any shortfalls in funding sources, appraised value, rehabilitation costs, or mortgage proceeds from other sources which may include developer fees.
15. DSCLT agrees to pay all of DSHA's legal fees and other associated costs involving the 16 scattered sites, when applicable.
16. DSCLT is encouraged to provide outreach efforts and coordination with the State of Delaware's Office of Minority and Women-Owned Enterprise to maximize the number of minorities and women-owned businesses participating in HDF funded projects/programs.
17. DSCLT agrees to affirmatively further fair housing and comply with the provisions of all applicable federal, state and local law prohibiting discrimination including but not limited to Title VI of the Civil Rights Act of 1964 as amended.
18. All terms and conditions of this Grant shall be set forth in a fully executed Grant Agreement between DSHA and DSCLT within 30 days of this date or the Grant approval shall be null and void.

lmm/cld  
4/11/11

# EXAMPLE: CLT Buyer #1

<u>Year</u>		Initial Purchase Price	
	2010	\$100,000	
		/	Appraisal of Home & Land at Initial Purchase
		\$150,000	
		<u>67%</u>	Portion of Total Value Owned by Homeowner
	2021	\$200,000	Appraisal at Resale Time
	2010	-	Initial Appraisal
		\$150,000	
		<u>\$50,000</u>	Appreciation
		→	Appreciation
		\$50,000	
		x	67%
		<u>\$33,333</u>	Portion of Total Value Owned by Homeowner
		→	Increase in Value Attributed to Portion Owned by Homeowner
		\$33,333	
		x	45%
		<u>\$15,000</u>	Homeowner's Share of Appreciation
		→	Homeowner's Share of Appreciation
		\$15,000	
		+	Initial Purchase Price
		<u>\$15,000</u>	Homeowner's Share of Appreciation
		\$115,000	Sales Proceeds to 1st CLT Owner & Base for Resale Price

Shared Appreciation Factor	25%	0-5 Years
	35%	6-10 Years
	<b>45%</b>	<b>11-15 Years</b>
	55%	15+ Years

Shared Appreciation keeps the price affordable for Buyer #2 and so on...





COUNCIL ON HOUSING

RESOLUTION NO. 423

DIAMOND STATE COMMUNITY LAND TRUST  
HOMEOWNERSHIP GAP FINANCING GRANT

WHEREAS, Diamond State Community Land Trust, Inc. ("Grantee") is a nonprofit corporation located in Dover, Delaware whose mission is to strengthen communities by creating and stewarding perpetually affordable housing and promoting sustainable use of land; and

WHEREAS, Grantee is a housing-related sponsor approved by the Delaware State Housing Authority ("Grantor") and is an approved nonprofit organization meeting the prescribed requirements for financial responsibility; and

WHEREAS, Grantee has partnered with Kent County and the City of Dover's Neighborhood Stabilization Programs (NSP) to acquire and rehabilitate 16 NSP homes to qualified low-income families who agree to participate in ownership of a dwelling restricted by community land trust requirements; and

WHEREAS, Kent County and the City of Dover have a cumulative total of \$900,000 in available NSP funds to lend and are expected to receive at least another \$1,520,000 of NSP program income as NSP houses are sold and proceeds are returned; and

WHEREAS, Grantee is seeking a \$319,984 grant ("Grant") for a two-year grant period to provide up to \$19,999 per homebuyer in gap financing assistance for 16 homebuyers; and

WHEREAS, two homebuyers incomes will be at 60% Area Median Income (AMI) and 14 homebuyer will be at 80% AMI or below; and

WHEREAS, the sales price of the homes are expected to range from \$96,000 - \$150,000 and homes are located in selected zip codes and/or census tracts for the NSP program;

WHEREAS, Grantee has utilized lenders Wells Fargo, Trident and Bank of America for mortgages of the homebuyers;

WHEREAS, Grantee program will be homebuyer initiated and the homebuyer will be pre-qualified and will select the home from an inventory of foreclosed properties;

WHEREAS, Grantee will work with NSP jurisdictions to acquire and rehabilitate the homes and Grantee will work with the homebuyers lender and homebuyer for purchase and settlement;

WHEREAS, Grantor recognizes the need for the affordable housing opportunities that Grantee provides.

NOW, THEREFORE, the Council on Housing recommends approval to the Director of Housing for a grant from the Housing Development Fund ("HDF") to Grantee in the amount of \$319,984. The Grant shall be subject to the terms and conditions fixed by Grantor including, but not limited to, the following:

1. Grantee must secure first mortgage funding for the homebuyers prior to release of Grant proceeds.

2. Appraisals acceptable to Grantor.

3. Homebuyers must receive HUD approved housing counseling and community land trust education. Two households will be at 60% Area Median Income (AMI) or below and 14 households will be at 80% AMI or below.

4. Grantor will receive quarterly progress reports on the use of its funds and copies of settlement documents on each home purchased. The information in these reports will include for each unit: address, description and cost of repairs made, family composition, selling price and amounts of first and second mortgages, and other information that Grantor may request.

5. Full disclosure by Grantee to homebuyers of funds being made available to them through Grantor.

6. Grantee agrees to submit annual audited financial statements to Grantor.

7. Grantor's grant funds will be approximately \$19,999 per house, unless otherwise approved by Grantor and will have the same amount as a retention agreement for a 10-year period. HDF funds will be used for homebuyer subsidy and the 10-year restriction period will be on the Grantee's land. Pro-rata payback of grant is required if the land is sold or transferred by the Grantee.

8. Selling price of units is expected not to exceed \$150,000. Sales price must not exceed appraised value ordered by homebuyer's lender.

9. Funds may be drawn by Grantee only when the homebuyer has been approved and closing has been scheduled and upon Grantor's receipt of homebuyer's mortgage commitment, preliminary HUD-1 statement and satisfactory homebuyer lender inspection report. DSHA will disburse funds to settlement attorney prior to permanent closing.

10. Grantor may inspect properties to assure that rehabilitation is being completed in a satisfactory manner and to local codes.

11. Grantee is permitted to utilize the BIHP with the other NSP jurisdictions within the State of Delaware (City of Wilmington, New Castle County and Sussex County), when applicable

and Grantor funds are available. All conditions of Grantor's grant will apply to all jurisdictions of NSP programs.

12. Prior to further requests of HDF funding, Grantee shall meet the terms of the executed grant agreement (which should include the sale of the 16 NSP homes) and should demonstrate successful performance or completion of the approved project.

13. Should development fall short of expectations, Grantee should notify Grantor to identify the problem and avoid termination of development.

14. Grantee will cover any shortfalls in funding sources, appraised value, rehabilitation costs, or mortgage proceeds from other sources which may include developer fees.

15. Grantee agrees to pay all of Grantor's legal fees and other associated costs involving the 16 scattered sites, when applicable.

16. Per Council on Housing Resolution 398 adopted on December 9, 2009, all Housing Development Fund (HDF) funding recipients are encouraged to provide outreach efforts and coordination with the State of Delaware's Office of Minority and Women-Owned Enterprise to maximize the number of minorities and women-owned businesses participating in HDF funded projects/programs, when applicable.

17. Grantee agrees to affirmatively further fair housing and comply with the provisions of all applicable federal, state and local law prohibiting discrimination including but not limited to Title VI of the Civil Rights Act of 1964 as amended.

18. All terms and conditions expressed in the resolution, grant agreement, and other applicable documents required by Grantor shall be set forth in a fully executed Grant Agreement between Grantor and Grantee within 30 days of this date or the Grant approval shall be null and void.

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4/11/11

