

HDF GRANT SUMMARY

APPLICANT: Milford Housing Development Corporation (MHDC)

DEVELOPMENT NAME: 4th Street Duplex, Milford, Delaware.

GRANT REQUEST: \$70,000 – 2 units/\$35,000/unit (one year) - Phase I

BENEFICIARIES: Homebuyers incomes will be at 50% Area Median Income (AMI) or below and must complete housing counseling.

DEVELOPMENT DESCRIPTION:

- Construction of one duplex (2 units). Parcel is currently owned by MHDC.
- Parcel is located in an area identified in the City of Milford's redevelopment plan for affordable single family development for workforce housing for City residents.
- The 2 three-bedroom townhouse units will be approximately 1,300 square feet and include 1-1/2 baths, laundry room, kitchen, dining room, family room and energy efficient appliances.
- HDF funds will be used for construction costs/sales subsidy and there will be a 10-year restricted period for the homeowner. Pro-rata payback of Grant will apply if property is sold, transferred, or refinanced before the end of the restriction period. 75% of HDF grant funds will be used as an affordability gap between the appraised value and the first mortgage.
- MHDC will partner homebuyers with USDA Section 502 Mortgages. First mortgage amount will be approximately \$108,653 at a 1% interest rate and a loan term of 38 years.
- Sales price will be \$135,000. Appraised value is \$135,000.
- Milford Housing Development Corporation (MHDC) has developed and self-contracted over 20 single family homes. Additionally they have developed 115 homes through the USDA self-help program since 1977.

SOURCES AND USES OF FUNDS

CONSTRUCTION COSTS (2 Units)

SOURCES:

ING Direct	\$ 217,306
HDF	<u>70,000</u>
TOTAL SOURCES	\$ 287,306

USES:

Construction Costs	\$ 220,374
Pre-Development	500
Contingency	11,019
Permit Fees	4,800
Financing/Impact Fees	10,734
Construction Interest	5,000
Transfer Taxes/misc. closing costs	8,760
Developer Fee	<u>26,119</u>
TOTAL USES:	\$ 287,306

PERMANENT HOMEBUYER FINANCING (2 Units)

USDA Homebuyer Mortgage	\$ 217,306
HDF 25% HDF Construction subsidy	17,306
HDF 75% HDF Mortgage Subsidy	52,694
Total	\$ 287,306

<u>Homebuyer Assistance – Per Unit</u>	
Approximate Sales Price:	\$135,000
HDF Mortgage Subsidy:	<u>-26,347*</u>
Homebuyer First Mortgage:	\$108,653

* DSHA 2nd lien 10-year retention agreement.

RECOMMENDATION:

- Approval of a \$70,000 grant for a period of 12 months.

CONDITIONS OF FUNDING:

1. MHDC must secure construction funding in the amounts listed on page 2 of this presentation.
2. Fifty percent (50%) of developer fee may be taken at fifty percent (50%) construction completion and the balance at settlement with each new homebuyer.
3. Approval of all zoning and applicable permits necessary to build the units.
4. Environmental audits acceptable to DSHA.
5. Selling price is expected to be \$135,000. Sales price cannot exceed the appraised value.
6. Homebuyers must receive housing counseling. Household incomes will be at 50% Area Median Income (AMI) or below.
7. DSHA will receive quarterly progress reports on the use of its funds and copies of settlement documents on each home purchased. The information in the reports will be for each unit and will include: address, description, family composition, selling price and amounts of first and second mortgages, HUD-1 statement, satisfactory homebuyer lender inspection report, and other information that DSHA may request.
8. DSHA may inspect properties to assure that construction is being completed in a satisfactory manner and to local codes.
9. Full disclosure by MHDC to homebuyer of funds being made available to them through DSHA.
10. Funds will be drawn on a pro-rata basis with other construction sources on a percentage of construction completion basis (25%, 50%, 75% and 100% completion).
11. DSHA's grant to be used for construction activities and purchase of houses and will convert to a grant for each property and be recorded in a second position behind first mortgage.
12. DSHA's grant funds will be \$35,000 per unit. Each unit will have a \$35,000 retention agreement for a ten-year period, unless otherwise approved by DSHA.
13. MHDC shall make a full disclosure of development's funding sources or commitments received from other sources at the request of DSHA.

14. Should development fall short of expectations, MHDC shall notify DSHA to identify problems and avoid termination of development.
15. MHDC will cover any shortfalls in funding sources, appraised value, construction costs or mortgage proceeds from other sources which may include developer fees.
16. Should development terminate, prior to full completion, DSHA should be notified immediately and any funds remaining in grant account after all debts have been settled will revert back to DSHA. If other sources have participated in grant funding, the amount returned to DSHA will be on a pro-rata share.
17. Prior to further requests of HDF funding for additional phases of development, MHDC shall meet the terms of the executed grant agreement and shall demonstrate either successful performance or completion of the approved project.
18. MHDC agrees to pay all of DSHA's legal fees and other associated costs involving the development or a purchaser's property, when applicable.
19. MHDC 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, when applicable.
20. MHDC 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.
21. All terms and conditions of this Grant shall be set forth in a fully executed Grant Agreement between DSHA and MHDC within 30 days of this date or the Grant approval shall be null and void.

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4/11/11

COUNCIL ON HOUSING

RESOLUTION NO. 422

MILFORD HOUSING DEVELOPMENT CORPORATION
4TH STREET DUPLEX GRANT

WHEREAS, Milford Housing Development Corporation ("Grantee") is a non-profit corporation located in Milford, Delaware, which provides affordable housing to low and very-low income families; and

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

WHEREAS, Grantee is seeking a one-year \$70,000 grant ("Grant") for the purpose of continuing its mission of assisting low and very-low income families acquire homeownership; and

WHEREAS, Grantee is to construct a duplex on 4th Street, Milford, Delaware ("Development"), consisting of 2 - three bedroom units, each with a laundry room, kitchen, dining room, family room, energy efficient appliances and 1-1/2 baths. Each unit will be approximately 1,300 square feet of living space; and

WHEREAS, Development has been identified in the City of Milford's 2008 Comprehensive Plan need for affordable housing; and

WHEREAS, each homebuyer will receive 75% (\$26,347) of the grant proceeds, which will be used as an affordability gap between the appraised value and the first mortgage amount for the homebuyer whose income will not exceed 50% of Area Median Income (AMI); and

WHEREAS, ING DIRECT is expected to provide \$217,306 in construction financing; and

WHEREAS, Grantee has successfully completed other similar projects some of which were partially funded by Grantor.

NOW, THEREFORE, the Council on Housing recommends approval to the Director of Housing for a Grant to Grantee which shall not be in excess of \$70,000 for a period of one year. The Grant shall be subject to the following terms and conditions set by Grantor including, but not limited to, the following:

1. Grantee must secure construction funding in the amount of approximately \$217,306 from ING DIRECT.
2. Fifty percent (50%) of developer fee may be taken at fifty percent (50%) construction completion and the balance at settlement with each new homebuyer.

3. Approval of all zoning and applicable permits necessary to build the units.
4. Environmental audits acceptable to Grantor.
5. Selling price is expected to be \$135,000. Sales price cannot exceed the appraised value.
6. Homebuyers must receive housing counseling. Household incomes will be at 50% Area Median Income (AMI) or below.
7. Grantor will receive quarterly progress reports on the use of its funds and copies of settlement documents on each home purchased. The information in the reports will be for each unit and will include: address, description, family composition, selling price and amounts of first and second mortgages, HUD-1 statement, satisfactory homebuyer lender inspection report, and other information that Grantor may request.
8. Grantor may inspect properties to assure that construction is being completed in a satisfactory manner and to local codes.
9. Full disclosure by Grantee to homebuyer of funds being made available to them through Grantor.
10. Funds will be drawn on a pro-rata basis with other construction sources on a percentage of construction completion basis (25%, 50%, 75% and 100% completion).
11. Grantor's grant to be used for construction activities and purchase of houses and will convert to a grant for each property and be recorded in a second position behind first mortgage.
12. Grantor's grant funds will be \$35,000 per unit. Each unit will have a \$35,000 retention agreement for a ten-year period, unless otherwise approved by Grantor.
13. Grantee shall make a full disclosure of development's funding sources or commitments received from other sources at the request of Grantor.
14. Should development fall short of expectations, Grantee shall notify Grantor to identify problems and avoid the termination of the development.
15. Grantee will cover any shortfalls in funding sources, appraised value, construction costs or first mortgage proceeds from other sources which may include developer fees.
16. Should development terminate, prior to full completion, Grantor should be notified immediately and any funds remaining in grant account after all debts have been settled will revert back to Grantor. If other sources have participated in grant funding, the amount returned to Grantor will be on a pro-rata share.

17. Prior to further requests of HDF funding for additional phases of development, Grantee shall meet the terms of the executed grant agreement and shall demonstrate either successful performance or completion of the approved project.

18. Grantee agrees to pay all of Grantor's legal fees and other associated costs involving the development or a purchaser's property, when applicable.

19. 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.

20. 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.

21. All terms and conditions of this Grant 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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