

SUMMARY OF ELIGIBLE NON-AGENCY MATCH

The Agency will use the PennHOMES funds allocated to your development as match under the Federal HOME Investment Partnerships Program. Unless claimed by a local Participating Jurisdiction, the Agency will also use all other eligible sources of match contributed to your PennHOMES development as HOME Program match.

Identifying other public and private funds included in your development's financing plan will assist the Commonwealth in meeting the HOME match requirements and justifying the long term viability of the Federal HOME Program.

The PHFA development team assigned to your development will work with you to identify eligible sources of match included in your financing plan. The following provides a summary of eligible match sources and describes how to calculate the value of match contributions.

TIMING OF MATCH CONTRIBUTIONS

Match contributions are credited at the time the contribution is made.

QUALIFIED HOUSING

To be counted as match, a contribution must be made to housing that qualifies as affordable under Section 215 of the National Affordable Housing Act of 1990. This housing may be either:

- Housing that is assisted with HOME funds; or
- Housing that is not HOME-assisted but meets the HOME affordability requirements (i.e. HOME match-eligible housing).

ELIGIBLE FORMS OF MATCH

To be considered eligible as match, a contribution must be made from nonfederal sources and must be a permanent contribution to a HOME development or to HOME match-eligible housing. Eligible forms of match are:

A. Cash Contributions (non-equity)

These include, but are not limited to:

- State appropriations;
- State or local general revenues;
- Housing trust funds (e.g. Act 137);
- Foundation grants and private donations;

- Housing finance agency reserves that are not federal funds;
- Program income from Rental Rehabilitation, Housing Development Action Grant (HODAG) or Urban Development Action Grant (UDAG) after grant program close-out;
- Proceeds from State Affordable Housing Bonds; and
- Below-market interest rate loans from private lending institutions

The match value of grants and forgivable loans is the full face value of the contribution. The match value of below market interest rate repayable loans is the present value grant equivalent of the yield forgone by the lender.

B. Forgone Taxes, Fees and Charges

The value of waived, forgiven or deferred state or local taxes, fees and other charges normally and customarily imposed or charged is an eligible source of HOME match **for HOME-assisted developments only**. Examples include local property taxes, transfer taxes, state tax credits, permit fees, recording fees and impact fees. The value of this match is the full amount forgiven for a single year and the present discounted cash value (based on the appropriate U.S. Treasury rate) of the amounts forgiven in future years.

Other charges and fees that are normally associated with property transfer or development, such as title searches, title insurance premiums and utility hook-ups or surcharges are eligible sources of HOME match. The fees and charges do not include donated professional labor. Waived developer's fees will not be an eligible form of match.

C. Donated Land or Other Real Property

Land or other real property permanently contributed to a HOME-assisted or HOME-eligible project is an eligible source of HOME match. The value of this match is generally the fair market value of the donated land or buildings, minus any debt, liens or encumbrances. An independent third party appraiser must determine the fair market value.

Donated property acquired with federal funds is also an eligible source of HOME match. To be recognized as match, the acquisition cost paid with federal funds must be demonstrably below the appraised value and the Seller must sign a written acknowledgment that the donation was made to affordable housing. This Seller acknowledgment must be signed at the time the property is acquired with federal assistance. The value of the match is the difference between the appraised value at the time of the acquisition with federal assistance and the actual acquisition cost that will be paid by the project owner.

D. On-Site and Off-Site Infrastructure

The cost of on-site and off-site infrastructure is eligible match, provided that the cost is not paid with federal resources and the infrastructure is directly required for a HOME-assisted project. To count as match, the infrastructure investment must be completed no earlier than 12 months before HOME funds are committed to a development. Examples of infrastructure include streets, sidewalks, and streetlights located on or immediately adjacent to the development site, and utility lines and connections serving the development. Infrastructure that serves both HOME-assisted and non-assisted housing may be counted on a pro rata basis.

E. Donated Site Preparation, Construction Materials, Voluntary Labor and Professional Services

The value of site-preparation and construction materials not acquired with federal resources and any donated or voluntary labor will count as match. Site preparation and construction materials will be determined by the Agency in accordance with its cost estimating procedures. Eligible donated labor does not include sweat equity contributed by a development owner. HUD has established the value of donated or voluntary labor, including professional legal services at \$10.00 per hour. The value of skilled labor or professional services shall be determined by the rate the individual or entity normally charges for their services.

F. Donated Use of Site Preparation and Construction Equipment

The reasonable value of the use of site preparation and construction equipment donated is an eligible source of match. The full value of the contribution is allowed. Documentation is to be provided to support the value.

G. Land or Real Property Acquired for less than the Fair Market Value

Properties that are acquired by development owners for less than the Fair Market Value are also eligible sources of HOME match. The value of this match is the difference between the appraised fair market value and the actual acquisition cost. This includes bank sales of foreclosed properties.

Property acquired with federal funds must meet the requirements outlined above for donated land or real property.

INELIGIBLE FORMS OF MATCH

The following are examples of contributions to affordable housing that are NOT eligible match contributions:

- Contributions made with or derived from federal funds regardless of when the funds were received or expended. The use of CDBG funds as HOME match is prohibited.

- The interest rate subsidy attributable to the federal tax-exemption on financing (e.g., bonds issued by the State or local governments) or the value attributable to federal tax credits (e.g., Low Income Housing Tax Credits).
- Owner equity or investment in the development, except for sweat equity. This is not a permanent contribution to the affordable housing project, but rather value contributed by an accruing to the owner.
- Cash or other forms of contributions from applicants for or recipients of HOME assistance or contracts, or investors who own, are working on, or are proposing to apply for assistance under the HOME Program.
- A PJ's cost of administering HOME-assisted or HOME match-eligible affordable housing projects or rental assistance.
- Contributions counted as match toward any other federally funded program.

ELIGIBLE MATCHING CONTRIBUTIONS

Non-federal cash match contributions may be used for eligible HOME costs as well as the following, which are not eligible HOME costs:

- Project-based rental assistance;
- Capitalization of or payments to a project reserve account for replacements or increases in operating costs for rehabilitation or new construction projects beyond 18 months. (Capitalization of an initial operating reserve for an 18-month rent-up period is an eligible HOME cost);
- Operating subsidies;
- For HOME-assisted developments, the costs associated with the non-affordable units in a building in which more than 50% are HOME-assisted; and
- For HOME-assisted developments, the costs associated with the commercial portion of a mixed-used building in which at least 51% of the floor space is residential