

## URBAN HOMESTEAD PROGRAM (HOME FUNDS)

### 1. Eligible Developers

Any not-for-profit corporation that has the capacity to undertake and complete their building construction or rehabilitation, which will be used by elderly and/or low and moderate-income persons, and that has not previously defaulted under any program administered by the Department of Redevelopment. The corporation must be a 501 (c) 3 or 4 tax exempt organization and have been serving the community in their capacity for a minimum of 5 continuous years prior to the application date, which includes 5 years of housing counseling experience. The corporation shall not be eligible for loan funds under this program if any of its officers or board members are in default of any taxes or debts owed to any bank or governmental unit.

### 2. Eligible Purposes

Funds used for the Urban Homestead Program must be used solely for the cost of purchasing a new or rehabilitated single family housing for the benefit of lower income homebuyers, including mentally or physically disabled persons. The house must be occupied by an income eligible owner for a period of 10 years. No board member or officer of the corporation shall be an eligible purchaser of any housing constructed under this program.

### 3. Construction Contracting

The non-profit housing development organization may serve as its own contractor if it has a minimum of five years housing construction experience. A housing development organization with less than five years construction-contracting experience shall hire a general contractor through the public bid process administered on its behalf by the Department of Redevelopment.

### 4. Eligible Purchasers

An eligible purchaser of an Urban Homestead Property from a non-profit housing development organization shall be a first-time homebuyer having a gross family income no greater than 80% of the median income of Vigo County and purchase the property as their principal place of residence. Income eligibility of Homesteader/s must be determined not more than 6 months before commitment of funds by the Department of Redevelopment. Developer must submit Homesteader/s annual income documentation as evidence of compliance with HUD guidelines 24 CFR 5.609.

The purchaser is required to participate in a program of housing counseling provided by the developer and acceptable to the Department of Redevelopment. The purchaser must be determined to be responsible and credit worthy by the non-profit housing developer. The purchaser shall not be eligible for loan funds under this program if they are in default of any taxes or owe debts to any governmental unit in Vigo County or bank mortgages made in conjunction with any HUD funds administered by the Department of Redevelopment.

5. Eligible Property

Buildings eligible for purchase through the Urban Homestead Program must be located in the City of Terre Haute in a census block having a median income not in excess of 80% of the median income for the City.

6. Application Process

The Department of Redevelopment will give public notice of the availability of funds by legal advertisement. Proposals to reserve funds will be accepted from non-profit housing development organizations and allocated on a first-come, first-serve basis.

No organization will receive a reservation of more than 50% of the funds unless there are no other applicants. Reservation of funds shall be awarded by the Department of Redevelopment.

7. Required Building Standards

Buildings purchased through the Urban Homestead Program must be affordable to lower income persons, meet applicable building codes, and have construction plans and specifications approved by the Department of Redevelopment. All construction work must be inspected by the Department of Redevelopment and City Building Inspector prior to release of funds.

8. Loan Provisions

Housing purchaser will be granted from HUD HOME Funds a 10-year forgivable loan with no interest charge. The loan shall be forgiven at a rate 1/120th of the loan amount per month. After the 10-year term of the loan, the balance payable will be zero. The maximum amount of loan shall be no greater than 50% of the construction costs up to \$35,000.00. The loan shall be assumable by a duly qualified and eligible low-income purchaser.

Urban Homestead loan funds shall be provided to the purchaser of a single family home from the non-profit housing developer at the time of sale (closing). The purchaser shall execute an agreement for a 10-year forgivable loan with the Department of Redevelopment at the time of sale.

9. Affordability Period

All HOME assisted homebuyers projects must remain affordable to or be occupied by income eligible households for the appropriate Period of Affordability in accordance with the following:

<u>SUBSIDY</u>	<u>TERM</u>
Under \$15,000.00	5 years
Between \$15,000.00 and \$40,000.00	10 years
Over \$40,000.00	15 years

After an owner has owned the property for the required affordability period, it may be sold without affordability restrictions.

10. Provisions for Recapture

Use of funds for client homebuyers assistance shall be subject to the Recapture provisions of 24 CFR §92.254(a)(5)(ii).

When HOME funds are provided as a direct subsidy the Recapture provisions will be utilized in the event the property affected is transferred during the Affordability Period. Direct subsidy funds must be repaid from the net proceeds of the sale of the property. Net proceeds are equal to the sales price minus down payment, capital improvements (defined as improvements professionally installed and approved by the Department of Redevelopment prior to commencing work) and superior loan principal repayment. If the net proceeds are not sufficient to recapture the full subsidy amount due to the Department the sum recaptured may be reduced and prorated based on the period of time owned measured against the required Affordability Period. The pro rata amount recaptured by the Department may not exceed what is available from net proceeds.

Imposition of the Recapture provisions will be reflected in written agreements between the Department and the party receiving the subsidy and will be evidenced by recorded deed restrictions and covenants running with the land. In the event of breach of any of the restrictions or covenants during the Affordability Period the Department shall have all rights of enforcement under Indiana law for the collection of the subsidy and foreclosure of the lien interest.

11. Fair Housing

The developer and home purchaser must market any sale or resale of the real estate in accordance with all applicable state, federal, and city fair housing laws.

Further information –

For further information contact Phil Kesner at the Department of Redevelopment, Room 301 City Hall, 812-244-2396.