# Homeownership Term Sheet

#### U.S. Department of Housing and Urban Development Office of Public and Indian Housing Office of Public Housing Investments

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Public reporting burden for this collection of information is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This collection of information is required for developing a public housing or affordable housing homeownership project pursuant to United States Code 42 USC 1437v. This form may also be used to summarize a homeownership proposal submitted pursuant to United States Code 42 USC 1437z-4. The information will be used to provide HUD with sufficient information to enable a determination that the proposed homeownership project is demographically and financially feasible and that HUD requirements have been met.

# Homeownership Term Sheet

This term sheet should be completed by PHAs proposing to use public housing funds for new construction, substantial rehabilitation, or direct financing to purchasers of non-public housing, for-sale homes. These activities are governed by the Middle-Income<sup>1</sup> guidance and Section 24(d)(1)(j) and Section 9(d)(1)(j) of the 1937 Housing Act (also known as Section 24/9). For PHAs proposing new construction, substantial rehabilitation, acquisition or direct financing to purchasers of non-public housing, for-sale homes, the homeownership proposal is comprised of this term sheet and submission of attachments listed at the end of this document. A PHA does not need to also submit a Homeownership Plan.

Those PHAs wishing construct public housing for sale to purchasers (including lease-purchase) should complete a Development Proposal to be submitted to the HUD Field Office and a Homeownership Plan in accordance with the Section 32 regulations found at 24 CFR 906, and submit the Section 32 Plan to HUD's Special Applications Center. PHAs proposing a Section 8(y) Housing Choice Voucher program should amend their Housing Choice Voucher Administrative Plans, and do not need to complete this term sheet. For a complete description of the Middle-Income, Section 24/9, and Section 32, Section 8(y) programs, refer to *Some Homeownership Guidelines for PHAs* found at http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ho\_guide.pdf For additional guidance, refer to HUD's Cost Control and Safe Harbor Guidelines for Homeownership found at http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ho\_safeharbor.pdf

This term sheet consists of five sections, and should be completed by the PHA for submission to the HUD Grant Manager for presentation to the Project Review Panel. If the PHA wishes to provide information relevant to its proposed homeownership project that is not specifically solicited in this term sheet, please include this information in Section C (XVII), Additional Information on the Project. Upon review by the Project Review Panel and the HUD Grant Manager's request, the PHA should then submit required documents listed at the end of this term sheet. This term sheet contains the following five sections:

<sup>&</sup>lt;sup>1</sup> The Middle-Income homeownership program was formerly known as the Nehemiah-like homeownership program.

- **A. Homeownership Project Summary:** Check boxes and a brief narrative description of the homeownership project.
- **B.** Roles and Responsibilities: A description of project partners and their roles and responsibilities.
- **C. Statement of Terms:** A description of the project terms between the PHA and other parties for the specific project under review.
- **D. Attachments:** Documents that should be included with the initial submission of the term sheet to HUD.
- **E. Documents:** Documents that must be submitted prior to obtaining HUD approval of, and release of funds for, the proposed homeownership project.

# A. Homeownership Project Summary

Purpose:	To provide a brief summary description of the homeownership project under review.									
Instructions:										
	Middle-Income									
	New Construction									
	Substantial Rehabilitation									
	Acquisition (if checked, then Substantial Rehabilitation must also be checked)									
	Direct Financing to Purchasers									
	Section 24/9									
	New Construction									
	Rehabilitation									
	Acquisition									
	☐ Direct Financing to Purchasers									
	Is the homeownership project providing only subordinate mortgages?									
	Yes (If yes, only complete Sections A., B., C. (II –V, XII, XIV – XVIII), D., and E. of this Term Sheet)									
	☐ No									
Instructions:	Provide a brief narrative that describes the homeownership project to be reviewed. Include the following information:									
	• The overall unit count broken down by unit type (e.g. affordable, market);									
	• The building type(s) being constructed and/or financed (e.g., row, elevator, detached/semi-detached, walk-up, etc.);									
	• Sources of funding;									
	The names of the major partners; and									
	• Any unusual features of the project (e.g., a land swap, scattered site acquisition and development, etc.).									

Name of PHA	<b>\</b> :	
Name of		
Phase/Develo	opment:	
HOPE VI Gr	ant No./L	vevelopment Project No.:
Contact Nam	e:	
Contact Phor	ne No.:	
Narrative:		

#### В. **Roles and Responsibilities**

#### Roles and Responsibilities of the PHA and its Partners I.

Purpose:

To provide HUD with information on PHA partners and their roles and responsibilities. The description should outline as applicable the parties responsible for relocation and demolition plans, loan administration, marketing, obtaining construction financing, homeownership counseling, ownership of homes during construction, sale of homes, and, for the PHA, a description of staffing for the day-to-day implementation and oversight of the homeownership project. If the PHA intends to use a contractor to perform administrative functions under the project, the PHA should include a narrative description of the roles and responsibilities of that party.

*Instructions*: Complete the chart below by describing the specific responsibilities. Refer to the Mixed-Finance Responsibility Checklist found at http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ for additional responsibilities that may be relevant to this project.

Role	Description of Responsibilities
PHA (name: )	
Developer (name:	
Construction Lender(s) (name(s):	
Permanent Lender(s) (name(s):	
Loan Administrator (name: )	
Homeownership Counseling Agency (name:	
City (specify: )	
Other (specify: )	

### II. Ownership

*Purpose:* To understand the structure of ownership during the predevelopment and construction

phases of the project.

*Instructions:* In the table below, describe the ownership structure of project during the predevelopment

and construction period of the project.

	Owner Entity
Land on Which Homes are to be Built or Rehabilitated	
Improvements Made to Land Prior to Sale	
Other	

Additional information regarding ownership structure, as needed:

## III. Homeownership Counseling Program

*Purpose:* To provide HUD with information regarding the homeownership counseling program

requirements and the PHA's counseling implementation plan.

*Instructions*: Complete the following questions on the homeownership counseling agency and program.

Name of Counseling Agency and Description of the Agency's experience in the community.

Describe the curriculum and scope of services for the agency under this homeownership proposal.

Describe the PHA's strategy to assist prospective homebuyers in accumulating their initial downpayment. Does the PHA's strategy include a Family Self-Sufficiency (FSS) escrow account or an Individual Development Account (IDA)?

Describe the PHA's strategy to ensure that all prospective homebuyers have steady employment and adequate income to support homeownership costs.

Describe the role of Housing Choice Vouchers in your homeownership strategy, if applicable.

## C. Terms

Purpose:

HUD will evaluate whether the overall business terms proposed constitute an appropriate use of public funds. HUD will also evaluate the costs of the project against its Cost Control and Safe Harbor standards in light of the risks taken by the developer and PHA. To determine whether the homeownership project meets HUD's cost guidelines and to evaluate the risks associated with the phase, PHAs should refer to the Homeownership Cost Control and Safe Harbor Standards at

http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ho\_safeharbor.pdf

#### I. Unit Mix

*Purpose:* To provide HUD with information about the unit mix for the homeownership project.*Instructions:* Complete the attached Excel spreadsheet **Unit Mix** to describe the proposed unit mix.

## II. Key Milestones

*Purpose:* To provide HUD with a realistic timeline for project implementation and completion.

*Instructions*: Complete the chart below for the specific homeownership project under review. Indicate

whether the activity listed is appropriate for the project, and provide a date or date range, as indicated, for actual or anticipated dates of completion, as well as the relevant locked

checkpoint date.

Milestone		Estimated Completion Date	Locked Checkpoint Date
Predevelopment Agreement Signed	N/A		
Development Agreement Signed	N/A		
Site Acquisition Proposal Approval from HUD	N/A		
Acquisition/Site Control	N/A		
Demolition Approval from HUD	N/A		
Abatement and Demolition Completion	N/A		
Disposition Approval from HUD	N/A		
Infrastructure Start	N/A		
HUD Environmental Review Approval and ROF Statemen	N/A		
Homeownership Evidentiary Materials Completed	N/A		
Closing Date	N/A		
Milestone	Date Range	Date Range	
Presale of Homes (approximately per month)	N/A		
Construction Start of Homes (approximately homes per month)	N/A		

Construction Completion of Homes (approximately homes per month)	N/A 🗌	
Sale of Homes (approximately per month)	N/A 🗌	

#### III. Sources and Uses

*Purpose:* To provide HUD with an understanding of the sources and uses of the homeownership

project under review. For new construction and substantial rehabilitation projects, HUD will evaluate whether the sources listed are sufficient to build the project, the use of PHA Capital funds for construction and/or permanent use, the ratio of public housing funds to private funds for construction and permanent use, whether costs are within Homeownership Cost Control and Safe Harbor Standards for Homeownership Mixed-Finance Development,

and whether the uses appear reasonable.

*Instructions*: For new construction and substantial rehabilitation projects, complete the Excel

spreadsheets **Construction and Permanent Sources and Uses**. The construction cost estimate should be based on schematic drawings and outline specifications and current

construction costs prevailing in the area.

## IV. Subordinate Financing

*Purpose:* If a PHA is proposing to provide direct financing to purchasers through subordinate

mortgages, HUD will evaluate: (1) the amount of direct financing; (2) the terms of recapture of the direct financing; and (3) the proportion of direct financing as compared to

the appraised value of the housing.

*Instructions:* For projects including direct financing to purchasers and/or construction write-downs,

PHAs should complete the attached Excel spreadsheets Sales Financing Schedule and

PHA Mortgage Analysis.

#### V. Total Development Cost (TDC) Calculation

*Purpose:* To determine whether the proposed activities for the project under review are within

HUD's Total Development Cost Limits. For information on TDC, see Notice PIH 2003-8.

*Instructions*: Complete the Excel spreadsheet **TDC & Instructions** to calculate the TDC for the specific

project under review. This sheet is required for all homeownership projects regardless of

activity proposed.

#### VI. Market Study and Marketability of Units

*Purpose:* PHAs proposing to construct, rehabilitate, or acquire non-public housing units must include

a Market Study as an attachment to this term sheet.

*Instructions*: PHAs proposing these activities should describe the type and nature of the outreach the

PHA (or its partner) will conduct to make an informed estimate of the pool of potential purchasers. In addition, PHAs proposing to construct, rehabilitate, or acquire non-public housing units should: summarize in this section the key findings from the market study related to the bulleted items below; attach a copy of a market study that has been completed

or updated within the last six months; and describe how the PHA's homeownership program conforms with the conclusions of the market study. At a minimum, the Market Study should address the following issues:

- Absorption rate in the immediate and larger area;
- Condition of existing for-sale stock in the targeted neighborhood;
- Sale prices of comparable homes in the targeted and/or comparable neighborhoods;
- Incomes of the existing purchaser pool; and
- Projected performance of the project (pace and price).

vii. Developei Compensation	VII.	Developer	Compe	nsation
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the amount of compensation.

*Purpose:* To determine if the developer's projected compensation terms are within the

Homeownership Cost Control and Safe Harbor Standards. The Cost Control and Safe

Harbor Standards can be found at

http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ho\_safeharbor.pdf

*Instructions*: Provide the following information for the net developer fee as defined in the Cost Control

and Safe Harbor Standards for the homeownership project under review. Express all fee amounts as a percentage of the overall homeownership project costs. HUD will verify the

stated percentages against the provided sources and uses. If necessary, provide a

justification for any term(s) above the HUD Safe Harbor Standards.

Net developer fee for the homeownership project under review:	%	
Is the developer receiving any compensation negotiated separately from	n the developer	fee?  Yes  No
If so, in the following table, list any other tasks for which the De (e.g., master planning, relocation, CSS, homeownership counseli	1 '	J 1

Task	Compensation
	\$
	\$
	\$

Justification for Developer Fees above Safe Harbor Standards:	
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## VIII. Pay-Out Schedule for Developer Fee/Overhead

*Purpose*: To determine if the pay-out schedule is within the Homeownership Cost Control and Safe Harbor Standards, and that public housing funds are not paying for the developer fee.

*Instructions*: Describe for the specific project under review when the developer receives its fee and what

source of funds pay for that fee. The percentages should total 100% and should be as defined in the Cost Control and Safe Harbor Standards. If the Developer is being reimbursed for overhead prior to closing, provide a justification in the space below the

table.

Descri	ntion	of w	hen	the	dev	elone	ŗ	receives	fees	and	the	source	of	fun	ds	for	the	fees
D COCII	PLICII	O 1 11	11011	LIIC	uc,	CIOP		I C C C I V C O	1000	ullu	LIIC	50 ar cc	01	Luii	40	101	LIIC	1000

Justification for deviating from the Safe Harbor Standards (if applicable):
Justification for providing overhead to the developer prior to closing (if applicable):

## IX. Sharing of Third-Party Predevelopment Costs and Reimbursement Schedule

*Purpose:* To determine if the sharing of third-party predevelopment costs is within the

Homeownership Safe Harbor Cost Control Standards.

*Instructions*: Complete the following table for the specific phase under review. For each of the

primary predevelopment costs indicate the percentages to be borne by the PHA and the developer. If necessary, provide a justification for any term(s) above the HUD

Safe Harbor Standards.

Estimated Amount of Predevelopment Costs:	\$
Length of Predevelopment Period:	Months
Percentage Borne by PHA:	%
Percentage Borne by Developer:	%

Justification for PHA bearing greater than 75% of the predevelopment costs (if applicable):

## X. Identity of Interest Parties

*Purpose:* To determine if the Developer has an identity of interest with any parties involved in the

homeownership project, and, if so, appropriate cost control measures have been completed

as per the Homeownership Safe Harbor Cost Control Standards.

*Instructions:* In the table below, disclose whether the Developer has an identity of interest with any

party. For each identity of interest party, indicate what steps have been or will be taken to

ensure cost competitiveness.

Part	ty	Related Entity?	Cost Control Measures	s Planned/Complete	ed
Builder/Contra	ictor	Yes No			
Construction N	/Ianager	Yes No			
Construction L	ender	Yes No			
Broker		Yes No			
Homeownersh Counselor	ip	Yes No			
Other (specify)	)	Yes No			
<ul><li>XI. Construction Fees</li><li>Purpose: To determine if the construction fees are within the Homeownership Safe Harbor Cost</li></ul>					
Control Standards.  Instructions: Fill in the following blanks to indicate the amount and percentage planned for contractor profit, overhead, and general conditions for the specific project under review. In the space below, describe how any construction savings will be allocated between the PHA and Developer. If necessary, provide a justification for any term(s) above the HUD Safe Harbor Standards.					
The amount and percentage for contractor's prof		ofit:	\$=	%	
The amount and percentage for contractor's overhead: \$ =%		%			
The amount and percentage for contractor's general conditions*: \$ =%			%		
* If the homebuilder is receiving a developer fee, HUD's Cost Control and Safe Harbor Guidelines limit the homebuilder to 6% for contractor's general conditions, and 0% for profit and overhead.					
Justification for fees in excess of HUD Safe Harbor Standards (if applicable):					
Methodology for allocating construction savings:					

#### XII. Sales Proceeds and Fees to the PHA

*Purpose:* To determine if the PHA is in compliance with the restriction of use of resale proceeds and

fees to further low income housing.

*Instructions*: Sales proceeds are defined as proceeds realized by the owner entity/developer from the sale

of homeownership units after the payments of the construction loan(s), the developer fee, and all other project costs have been satisfied. Answer the following questions in narrative

form for the proposed homeownership project.

After payment of all expenses, how are sale proceeds distributed?

Complete the following table to indicate what fees (e.g., developer fee, loan administration fees, counseling agency fees, etc.), if any, are to be paid to the PHA or PHA affiliate.

Type of Fee/Description	Amount	
	\$	
	\$	
	\$	

What are the expected sources of project income (e.g., repayments of loans, PHA development fees, etc.) and what is the PHA's planned use for this project income?

### XIII. Gains from Appreciation

*Purpose:* To determine if the PHA's provisions (where applicable) adequately protect the PHA's

investment in the homeownership project.

*Instructions*: If a PHA is writing down the cost of construction (e.g., the construction cost exceeds the

sale price/appraised value), it must consider a provision in its homeownership project to recapture all, some or none of the gains from appreciation. This provision limits the amount the subsidized original purchasers can realize due to appreciation of the property upon sale for a period of time, and is generally recorded in a deed restriction. The PHA's recapture policy on appreciation may range from no recapture to recapture of total appreciation. This provision only applies to the sharing of sale proceeds and does not address the recapture of financing that the PHA may elect to provide directly to a

purchaser.

If applicable, describe how the PHA will treat the gain upon resale that the subsidized buyer can realize due to appreciation of property.

## XIV. Recapture Provisions

*Purpose:* To determine if the proposed recapture provisions (where applicable) are appropriate for

the target purchasers, are coordinated with direct financing terms of local partnering affordable homeownership programs, and adequately protect the PHA's and purchasers'

investments in the homeownership project.

*Instructions*: The PHA must set a policy regarding recapture upon resale of government-provided

assistance and/or direct financing made to the purchaser to the extent that there are net proceeds. This includes the PHA downpayment, closing cost assistance, subordinate mortgage financing, or below-market financing (e.g., sale the unit for less than appraised

value of the home). However, this policy may range from no recapture of assistance to full recapture of assistance.

If applicable, describe the terms of the direct financing to purchasers and terms of recapture. Describe also the method of recapture (e.g., via a promissory note). If the PHA chooses to forgive the direct financing over time, fill out the table below as applicable. (Table may be modified to reflect longer-term or shorter-term forgiveness schedule).

If there is additional direct financing from participating local affordable homeownership program partners, briefly describe the terms of their direct financing and amount of direct financing per purchaser. Describe how the PHA's direct financing terms coordinate with the local program partners' financing terms.

Year of Resale	Rate of Forgiveness*
	%
	%
	%
	%
	%
	%
	%
	%
	%

\*Note: A PHA may forgive 100% in any year.

## XV. Purchaser Eligibility Requirements

Purpose: To provide HUD with an understanding of the PHA's priorities for project purchasers and

restrictions on purchaser eligibility.

Instructions: *Complete the following information on purchaser requirements.* 

Minimum purchaser income amount and percentage of AMI:

Maximum purchaser income amount and percentage of AMI:

Minimum downpayment amount or percentage of purchase price from purchaser's own funds:

\$ \_\_\_\_\_ = \_\_\_\_%

\$ \_\_\_\_\_ = \_\_\_\_%

\$ \_\_\_\_ or

\_\_\_\_% of sales price

Describe process for income eligibility.

Describe priorities for selection of purchasers (e.g. residency).

Describe income tiering structure for eligible program purchasers (if applicable). How many homes will be set aside for each tier?

Describe any additional requirements.

## XVI. Additional Information on the Project

*Instructions:* In narrative form, provide any additional information on the project and business terms of which HUD should be aware when reviewing the terms for this phase. Such issues might include:

- Unusual programs or fee structures HUD will need to evaluate;
- Justifications for any fees or structures proposed outside of HUD's Cost Control and Safe Harbor limitations;
- Effect of a consent decree on the homeownership project;
- Restrictions upon the resale of homes (e.g., resale restriction stipulating that the homes must be sold to a low-income purchaser within 30 years of initial sale of home);
- Market concerns and plan for mitigation;
- Homeowner's Association and requirements;
- Any non-residential or mixed uses such as community or commercial buildings;
- Use of public housing funds as bridge loan; and/or
- Other circumstances that will result in unusual terms or the need for a delayed or accelerated closing.

Narrative on additional project/phase information:

### D. Attachments

All PHAs submitting this term sheet should include the following attachments:

- 1. Unit Mix Worksheet.
- 2. Construction and Permanent F budgets.

- 3. Sales Financing Schedule Worksheet.
- 4. PHA Mortgage Analysis (if applicable).
- 5. Schedule of Monthly Flow of Funds.
- 6. TDC Worksheets for Construction financing and Permanent financing.
- 7. Market Study. The PHA should submit a market study if applicable as described in Section C(V) of this document.
- 8. Site plan on 8.5 x 11" paper.
- 9. Certification of URA compliance or Relocation Requirements under Section 18 (if not previously submitted to HUD).
- 10. Additional Information. The PHA should submit any additional information requested by HUD to more fully describe any aspect of the homeownership proposal, including schematic drawings and designs of the proposed building and unit plans.

#### E. **Documents**

In addition to the term sheet and attachments described above, the following documents must also be submitted to HUD prior to closing in order to obtain full approval of the PHA's homeownership proposal.

### Documents Required by HUD at Construction or Financial Closing

- 1. Housing Authority Certifications and Assurances for Projects Involving Homeownership Units (Form document to be released April 1, 2004).
- 2. HOPE VI Grant Addendum and Exhibits or Homeownership ACC Amendment and Exhibits (both in standard form).
- 3. Updated Homeownership Term Sheet.

#### Documents Required by HUD Prior to Release of Funds

- 1. Housing Authority Pre-Funding Certifications (Form document to be released April 1, 2004).
- 2. Declaration of Restrictive Covenants (recorded first and in standard form).
- 3. Executed HOPE VI Grant Addendum and Exhibits or Homeownership ACC Amendment and Exhibits.
- 4. Updated Homeownership Term Sheet (if amended since last submission).
- 5. Legal Opinion (in standard form).

#### F. **HUD Monitoring**

At any point, HUD may request to review the executed legal documents associated with a phase closing.