CHAPTER 9: MATCH

A premise of the National Affordable Housing Act, which authorized the HOME Program, is that providing affordable housing to low-income persons is the responsibility of all levels of government. Therefore, matching contributions are required as the state and local government stake in the HOME Program. This chapter covers the matching requirement, sources of match, how to meet the match obligation, and how to calculate and track match.

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BASIC FACTS ABOUT MATCH

Overview

- ♦ The HOME Program requires that participating jurisdictions (PJs) provide match in an amount equal to ***no less than 25 percent*** of the total HOME funds drawn down for project costs.
- ♦ Match is a permanent contribution to affordable housing.
- ♦ Match is ***not*** leveraging. Match is the PJ's contribution to the HOME program -- the local, non-federal contribution to the partnership.

Keys to Understanding the Match Requirement

- ♦ There are match ***credits*** and match ***debits***
  - ➢ Debits: For virtually every dollar of HOME funds drawn down for a project, there is a $0.25 match obligation.
  - ➢ Credits: Match credits are a community's non-federal contribution of cash, assets, services, labor and other resources of value to the HOME program.
- ♦ There are no match obligations (debits) associated with the following:
  - ➢ FY 1992 HOME funds;
  - ➢ HOME administrative and planning funds;
  - ➢ CHDO operating expenses;

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- CHDO capacity-building funds;
- CHDO site control, technical assistance and seed money loans for projects that do not go forward; and
- amounts provided from sources other than state HOME funds to make up the shortfall between a local PJ's allocation and the threshold amount.

♦ Match credits and debits are not necessarily linked to the same project.

- The match debit, or obligation to come up with matching contributions, is created by the draw-down of HOME funds for a particular project.
- The matching contribution (match credit) does not have to be invested in the same project, or even the same activity.

  Example: Hometown draws down $200,000 for a rental project and incurs a $50,000 matching requirement. The community appropriates and commits $60,000 to provide downpayment assistance for 20 first-time homebuyers.

  Example: Hometown also undertakes a rehabilitation project with $100,000 in HOME funds, which in turn incurs a $25,000 match obligation. Another project across town involving the new construction of ten single-family homes uses $200,000 in HOME funds and incurs a $50,000 match obligation. The PJ completes $75,000 in infrastructure improvements directly associated with the new construction project. This amount meets the match obligation generated by both projects.

♦ Match credit can be earned for investments in:

- Home-assisted projects: projects that receive assistance under the HOME program.
- HOME-eligible projects: a project that is not assisted with HOME funds, but that meets HOME requirements related to income, rent, quality standards and other HOME rules. (See Exhibit 9-1.)
- Partially-assisted HOME projects and mixed use projects: projects where some units are HOME-assisted and some are not, projects that are mixed HOME-assisted and commercial, and even projects that are mixed HOME-assisted, non-HOME residential and commercial.

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- ✓ Investments in the commercial space in mixed-use developments can be counted as match as long as 51 percent or more of the project space is residential and 50 percent or more of the dwelling units are HOME-assisted.

- ✓ Investments in the non-HOME-assisted portion of mixed-income developments can be counted as match as long as 50 percent or more of the dwelling units are HOME-assisted. (If the non-HOME units meet the HOME eligibility requirements for affordability, then the contributions to any affordable non-HOME units apply, regardless of the percentage of HOME units in the project.)

<u>Example</u>: A modest rehabilitation project contains 20 units. Five of the units are HOME-assisted. The city provides $100,000 in infrastructure improvements. Only $25,000 can be counted as match (25 percent times $100,000), since only five units (25 percent) in the project are HOME-assisted.

<u>Example</u>: A similar moderate rehabilitation project contains 20 units. Eleven of the units are HOME-assisted. If the city provides $100,000 in donated equipment and materials as match, it can count the entire amount because more than 50 percent of the units are HOME-assisted.

<u>Example</u>: A project contains 50 units: 20 are HOME-assisted and 30 are HOME-eligible. The PJ invests $250,000 in HOME funds and donates the land for the project. The appraised value of the land (less any debt burden, lien or other encumbrance) counts as match, even though 30 of the units are not HOME-assisted (they are HOME-eligible).

- ➢ <u>Assistance to tenants</u>: Match credit can be earned by providing non-federal funds to tenants receiving HOME tenant-based rental assistance (TBRA) (for example, a utility deposit payment) or by supporting tenants through non-federal TBRA as long as the rental assistance meets certain HOME requirements. (See Exhibit 9-1.)

- ♦ Excess match generated in a fiscal year can be carried forward to meet the next year's match obligation; match liability must be met in the year that it was incurred.

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- ➢ Match liability is incurred every time HOME funds subject to the matching requirements are drawn down from the jurisdiction's HOME Investment Trust Fund Treasury account. The liability must be satisfied by the end of the federal fiscal year in which it occurred. The federal fiscal year runs from October 1 through September 30 of the following year.

Exhibit 9-1

Non-Federal Investment In or Contribution to HOME-Eligible Housing as Match

- ♦ PJs may count as match any non-federal investment in HOME-eligible (and not HOME-assisted) housing. These include:
  - ➢ Non-HOME-assisted affordable housing projects (rental, homeowner rehabilitation and homebuyer), and
  - ➢ A low-income household receiving non-federal tenant-based rental assistance.
- ♦ **Rental, Homebuyer and Homeowner Housing**: For investment in a rental, homebuyer or owner-occupied project to count as match, it must meet the following requirements of the HOME regulations (as applicable):
  - ➢ Section 92.203 - Income determinations
  - ➢ Section 92.251 - Property standards
  - ➢ Section 92.252 - Rental housing
  - ➢ Section 92.253(a) – Lease
  - ➢ Section 92.253(b) - Prohibited lease terms
  - ➢ Section 92.254 – Homeownership
- ♦ **TBRA**: For an investment in tenant-based rental assistance, including security deposits, to count as match, it must meet the HOME requirements including:
  - ➢ Section 92.203 - Income determinations
  - ➢ Section 92.209(a) - Eligible costs
  - ➢ Section 92.209(c) - Tenant selection
  - ➢ Section 92.209(f) - Rent reasonableness
  - ➢ Section 92.209(I) - Housing quality standards
- ♦ **Written agreement**: The PJ must execute a written agreement with the owner (or manager or developer if the PJ is the owner) that imposes all of the requirements outlined above. The agreement must be executed before an investment will count as match.
- ♦ **Monitoring**: The PJ must have procedures to monitor continued compliance with the written agreement. The term of compliance should be computed by applying the appropriate period of affordability based on the amount of match investment per unit.
- ♦ **Ineligible forms of match in non-HOME-assisted housing**: Match invested in HOME-eligible housing can be in any form ***except*:**
  - ➢ Waived taxes, fees, or charges;
  - ➢ Infrastructure improvements;
  - ➢ Costs of supportive services; and
  - ➢ Costs of homebuyer counseling.

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Example: *All match obligations triggered by the draw-down of HOME funds between October 1, 1996 and September 30, 1997* ***must*** *be met no later than September 30, 1997.*

- The resources used to meet the match liability can be generated ***before*** or ***after*** the HOME project is completed.

Example: *Hometown undertakes the rehabilitation of a 200-unit apartment complex. All units are HOME-eligible. The PJ draws down $300,000 in HOME money and uses $200,000 from a locally supported housing trust fund to finance the project. Since the match obligation is only $75,000 (25 percent of $300,000) for this project, the PJ has "banked" an extra $125,000 in match credit.*

- Excess match generated in a fiscal year may be ***carried forward*** to meet the next year's obligation.

Example: *A PJ's total match obligation for FY 1994 is $250,000. The PJ makes eligible contributions in the amount of $300,000. The $50,000 in excess match credit may be carried over and recognized for HOME activities carried out in the next fiscal year (FY 1995).*

ELIGIBLE FORMS OF MATCH

- The match obligation may be met with any of the following specific sources. Each is described in detail on the following pages.
  - Cash or cash equivalents from a non-federal source;
  - Value of waived taxes, fees or charges associated with HOME projects;
  - Value of donated land or real property;
  - Cost of infrastructure improvements associated with HOME projects;
  - A percentage of the proceeds of single- or multi-family housing bonds issued by state, state instrumentality or local government;
  - Value of donated materials, equipment, labor and professional services;
  - Sweat equity;

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- Direct costs of supportive services to residents of HOME projects; and
- Direct cost of homebuyer counseling to families purchasing homes with HOME assistance.

- Match counted for other Federal programs cannot be counted as HOME match. HOME can be counted as match for McKinney Act programs.

Match Source: Non-Federal Cash or Cash Equivalents

- There are many eligible forms of cash match. Cash contributions may be contributed from a public or private **non-federal** source. Exhibit 9-2 details acceptable and non-acceptable sources of cash match.

Exhibit 9-2	
Acceptable Sources of Cash Match	**Unacceptable Sources of Cash Match**
• Local or state general revenues • Housing trust funds • Foundations, donations • State appropriations • HFA reserves that are not federal funds (e.g., bond proceeds) • The interest rate subsidy achieved by the exemption of state or local taxes • Program income from Housing Development Action Grant (HODAG), Rental Rehabilitation Program (RRP), or Urban Development Action Grant (UDAG) after grant closeout • Present value of the interest subsidy for loans made at rates below market	• All CDBG funds • Other federal grant funds • Funds raised through federal Low Income Housing Tax Credits • The interest rate subsidy attributable to federal tax-exempt financing • Owner equity in a project • Cash contributions from investors, applicants for or recipients of HOME assistance • Expenditures on program administration

- **Calculating the value of "cash"**:
  - The full, face value of a cash contribution can be counted as match if:
    - ✓ It is from non-federal funds, and
    - ✓ The contribution is permanent. Permanent contributions are those where all repayment, interest, or other return on investment is made to the PJ's HOME Investment Trust Fund.

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Example A: Hometown makes a $10,000, 3 percent, 15-year loan from a local housing trust fund to support rehabilitation of a single-family HOME project. All repayments of principal and interest are paid into the HOME account. The full $10,000 is counted as a match.

Example B: Hometown makes the above $10,000 loan a forgivable, deferred-payment loan to the project. Since there will be no repayment, the full $10,000 is counted as a match.

Example C: Hometown arranges a $50,000, 5 percent, 10-year loan from state housing trust fund monies to assist a HOME project. The principal and interest are repaid to the state housing trust fund and are not permanently available to the PJ's HOME program. Only the present discounted value of the interest foregone (the equivalent of a grant) can be counted as match, since the full face value of the loan is not permanently available to the PJ.

- Some cash payments are not permanent contributions to the HOME Program.
  - ✓ This occurs most frequently when below-market-interest-rate (BMIR) loans are used as a match credit for HOME, but the principal and interest are repaid to other than the HOME account.
  - ✓ The match value of BMIR loans that are not repaid to the HOME account is based on the discounted present value of the yield foregone under varying circumstances.

Example A: Hometown borrows $100,000 at 8 percent for 15 years from a bank, and loans the money to a HOME project at 4 percent interest for 15 years. The discounted cash value of the difference between the payments received from the 4 percent loan and the payments due on the funds borrowed is the value of the match.

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Loan Amount	$100,000
Monthly payment from HOMETOWN to Lender @ 8%, 15 years	$955.65
Monthly payment from Borrower to HOMETOWN @ 4%, 15 years	-$739.68
Yield foregone	$215.96
NPV of yield foregone, 8%, 15 years	$22,598

Example B: Hometown makes a direct, BMIR loan using funds that are available to the community without borrowing. The payments of principal and interest are paid to the city treasury -- not the HOME account. The calculation of the present discounted value of the yield foregone is based upon the difference between the BMIR yield and the market interest rate, which is defined as the yield for varying types of Treasury notes:

Project Size	Type of Financing	Type of T-Note and Yield
1-4 units	Fixed	10 year + 200 basis points
1-4 units	Adjustable	1 year + 250 basis points
5+ units	Fixed or adjustable	10 year + 300 basis points

Example C: Hometown makes a non-amortizing, due-on-sale zero percent loan in the amount of $3,000 for downpayment assistance to a homebuyer. The funds are available to the community without borrowing, and repayment of principal will be made to the city treasury -- not the HOME account. The calculation of the present discounted value of the yield foregone is based upon the difference between the BMIR yield and the yield for a 10-year Treasury note, plus 200 basis points. The term of the loan is assumed to be five years--the period of affordability.

Calculating Match Contributions

HUD Notice 97-03 provides step-by-step instructions for calculating the value of grants, deferred payment loans and below-market interest rate loans. This notice is in the Appendix.

- **Why use cash as a match?** Cash match offers flexibility because it may be spent on HOME eligible activities, as well as other expenses that are not eligible expenditures of HOME funds. Cash match may be used for:
  - HOME-eligible activities, or

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- Other costs not eligible for HOME funds, including:
  - ✓ Payments to a project "reserve for replacements," beyond an 18-month rent-up period;
  - ✓ Operating subsidies;
  - ✓ Certain supportive services;
  - ✓ Ongoing homebuyer counseling; and
  - ✓ Cash contributions associated with non-HOME portions of a mixed-income or mixed-use HOME project (if certain requirements are met).

Match Source: Forbearance of Fees and Waived/Reduced Taxes

- Match for the value of foregone fees, taxes or charges applies only to HOME-assisted projects.
- Two "classes" of waived fees may be counted as match.
  - State and local taxes, charges and fees:
    - ✓ Value of foregone real estate taxes must be based on post-improvement value.
    - ✓ The value of fees, taxes or charges foregone for future years is the present discounted cash value of the amount forgiven, based on the Treasury security rate closest in maturity to the number of years for which fees, taxes or charges are foregone.

  Example: Hometown decides to forego real estate taxes of $2,000 for 10 years credited at the start of each year. The Treasury security rate for 10-year notes is 4.5 percent.

Payment:	*$2,000 paid annually*
Interest Rate:	*4.5%*
Term:	*10 years*
Net Present Value:	*$15,825*

  - Other charges or fees:
    - ✓ These are fees normally associated with property transfer or development, such as title searches, title insurance premiums and utility hook-ups or surcharges.

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- ✓ The fees and charges do ***not*** include donated professional labor. This is eligible (as of the Final Rule) for match credit under a separate provision discussed later in this chapter.

- ➢ Waived taxes, charges or fees are not match credit if:
  - ✓ The waived fees are associated only with the HOME Program. This means you cannot create a fee and waive or reduce it for HOME projects only.
  - ✓ Developers waive their own fees!

<u>Match Source: Value of Donated Land or Other Real Property</u>

- ♦ Land or real property permanently contributed to a HOME-assisted or a HOME-eligible project is a source of match.
  - ➢ Property may be ***donated***.
  - ➢ Property may be ***sold*** at below its market value.
- ♦ **Property acquired with non-federal resources**:
  - ➢ If a property acquired with non-federal resources is donated to a HOME-assisted project or HOME-eligible project, the match credit is equal to 100 percent of the appraised value minus any debt burden, liens or other encumbrances.
    - ✓ Properties may be donated by the PJ, non-federal public entities, private entities or individuals.
    - ✓ Properties may ***not*** be donated by applicants for or recipients of HOME assistance or contracts, or investors who own, are working on, or are proposing to apply for HOME assistance.
  - ➢ The value must be determined by an appraisal.
    - ✓ The appraisal must be performed by an independent, certified appraiser.
    - ✓ The appraisal method must conform with generally recognized practices and procedures.
    - ✓ Opinions of value must be based upon the best available data.

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- **Property acquired with federal funds:**
  - Properties acquired with federal funds and donated can provide match credit under certain circumstances:
    - ✓ The properties must have been acquired specifically for HOME-assisted housing or for a HOME-eligible project;
    - ✓ The property must have been acquired at demonstrably below the appraised value; and
    - ✓ The seller must acknowledge the sale at below-market value as a donation to affordable housing at the time of the acquisition.
  - Federal funds include Community Development Block Grant (CDBG), UDAG, urban renewal, Low Income Housing Tax Credits and Homeownership Opportunities for People Everywhere (HOPE).
  - Donations of land or property are credited at the time ownership of the land or property is transferred.
  - If the property is ***acquired by the owner*** of the HOME-assisted or HOME-eligible project, the match credit is:
    - ✓ The difference between the appraised value at the time of acquisition with the federal funds and the acquisition cost.

    <u>Example</u>: Using CDBG, a local government acquires a property from a private owner for $55,000. The appraised value at the time of the acquisition is $75,000. The private owner acknowledges in writing at the time of the donation that she is making a contribution to affordable housing. The match credit is $20,000 ($75,000 - $55,000).
  - If the property is acquired with federal funds by an ***entity that donates the property to the owner*** of the HOME-assisted or HOME-eligible project, the match contribution is the difference between the appraised value and the acquisition cost.

    *<u>Example</u>: A tract of land has an appraised value of $100,000. A PJ purchases the property with CDBG funds for $75,000 and **donates** the land to a CHDO. The seller acknowledges in writing that the $25,000 discount on the purchase price (the difference between the appraised value*

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and the acquisition price) is a donation to affordable housing. The match credit based on the donation from the seller is the $25,000 ($100,000 - $75,000). The PJ used $30,000 in local funds and $45,000 in CDBG funds to help purchase the property. This produces additional match credit of $30,000 (the amount of the local fund contribution, but not the CDBG funds). The total match credit is $55,000.

- ➢ If the property is acquired with federal funds by an ***entity that sells the property to the owner*** of the HOME-assisted or HOME-eligible project, the contribution is the difference between the sales price paid by the entity using the federal assistance and the appraised value at the time of acquisition by the entity.

  Example*: A PJ uses HOME funds to purchase a property with an appraised value of $100,000 and a sales price of $90,000. The seller acknowledges that the discounted sales price is a donation to affordable housing. The PJ sells the property to a CHDO for $60,000. The match contribution is only $10,000 ($100,000 - $90,000).*

Match Source: Investments in On- and Off-Site Infrastructure

- ♦ To receive match credit:
  - ➢ Infrastructure improvements must be directly related to HOME-assisted projects. (Remember: infrastructure improvements related to HOME-eligible housing do not provide match credit.)
    - ✓ The infrastructure improvement must ***directly facilitate the occupancy*** of HOME units. Examples include:
      - Streets;
      - Sidewalks;
      - Gutters;
      - Street lights; and
      - Utility lines and connections.
    - ✓ Parks, bridges, or highways are not eligible types of infrastructure improvements.
  - ➢ The improvement must be completed no earlier than 12 months before HOME funds are committed to the project. (It's not necessary for the infrastructure improvement to have been identified as serving a HOME-assisted project when it was installed.)

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- The improvement must be paid for from non-federal resources.

♦ Since infrastructure improvements may serve HOME and non-HOME units in a project, the investment must be prorated accordingly.

<u>Example</u>: $50,000 is spent on streetlights on a block with 10 homes. Two (20 percent) of the homes are HOME-assisted. The value of the match associated with HOME is $10,000 (20 percent of $50,000).

<u>Example</u>: $100,000 is spent on sidewalks, curbs and gutters on a block with 20 homes. Ten of the homes (50 percent) are HOME-assisted. The value of the match is $50,000, because the value of the match must be pro-rated to reflect the percentage of units that are HOME-assisted.

<u>Example</u>: $100,000 is spent on sidewalks, curbs and gutters on a block with 20 homes. Nine of the homes are HOME-assisted. The value of the match is $45,000, because 45 percent of the units are HOME- assisted.

♦ Infrastructure improvements are credited when the funds are expended or if the improvements were made prior to the commitment of HOME funds -- when the HOME funds are committed.

<u>Match Source: Proceeds from State or Local Housing Bonds</u>

♦ The proceeds from affordable housing bonds which are repayable from the housing project may be used as match credit. However, HOME limits the amount of match credit PJs may earn from affordable housing bond proceeds. PJs may count bond proceeds as follows:

  - 50 percent of the face value of each loan made to HOME-assisted or HOME-eligible multi-family housing.

  - 25 percent of the face value of each loan made to HOME-assisted or HOME-eligible single-family housing projects.

♦ To be eligible as match, the bond proceeds must be provided to a HOME-assisted or HOME-eligible project.

♦ No more than 25 percent of a PJ's match liability for any one year can be met through loans to housing projects from the proceeds of affordable housing bonds. However, the value of

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loans in excess of the 25 percent limit may be banked as match credit to offset future match liabilities.

<u>Example</u>: The State of Chaos, a PJ, issues a mortgage revenue bond (MRB) for homeownership. During the state's 1994 HOME Program year, $500,000 are committed to specific loans to qualified families. The state can count 25 percent, or $125,000, of the value of the loans toward the match obligation. The state's match liability for the year, generated by all of its HOME activities, is $300,000. Twenty-five percent of the $300,000 liability, or $75,000, can be satisfied by the MRB proceeds. The state can apply the excess match credit ($50,000) to meet future year's match obligations.

- A loan made from bond proceeds is credited at the time of loan closing.

  (See HUD CPD Notice 97-03 in the Appendix for further guidance on calculating match from state and local bonds.)

<u>Match Source: Donated Materials, Equipment, Labor and Professional Services</u>

- The value of donated materials for site preparation and construction of HOME-assisted or HOME-eligible housing may be counted as match.
  - Materials must have been purchased with non-federal funds.
  - The PJ must use its normal cost estimating procedures to determine the value of materials, and must document its value determination.
- The reasonable value of the use of site preparation and construction equipment donated to HOME-assisted or HOME-eligible housing may be counted as match.
  - The full value of the contribution may be counted (that is, the rental rate multiplied by the number of hours/days for which the equipment was donated).
  - Documentation of the match must include a letter from the equipment owner stating the rental rate and number of hours/days donated.
- PJs may count the value of any donated or volunteer labor, including professional services, in connection with a HOME-assisted or HOME-eligible project.

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  - HUD will make the hourly labor rate for donated unskilled labor available annually.
  - Skilled labor and professional services, such as those donated by a lawyer or accountant, will be valued at the rate normally charged by the entity providing the service.
  - The value of labor or professional services provided to affordable housing at a reduced rate as a donation by an individual or entity that has a contract to provide labor or services on a HOME-assisted project may be counted as match provided the individual or entity agrees to accept the reduced rate.
- Donations of material, equipment use, labor and professional services are credited at the time they are used for/contributed to the project.

Match Source: Sweat Equity

- The value of sweat equity provided to a homeownership project may be counted as match.
  - The contribution will be valued at the rate of unskilled labor. This value will be established by HUD.
  - The value of the labor can be contributed up until the time of project completion can be counted as match.
- The sweat equity must be contributed as part of an established program of the PJ.

Match Source: Direct Costs of Certain Supportive Services

- PJs may count as match the direct cost of supportive services provided to residents of HOME-assisted projects or to families receiving HOME-funded tenant-based rental assistance (TBRA), if the services are:
  - Paid for with non-federal funds; AND
  - Provided during the period of affordability or term of the TBRA contract; AND
  - Necessary to facilitate independent living

    or

  - Required as part of a self-sufficiency program provided to residents or TBRA recipients.

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- Examples of such services include:
  - Case management,
  - Mental health services,
  - Assistance with tasks of daily living,
  - Substance abuse treatment and counseling,
  - Day care, and
  - Job training and counseling.
- Direct costs that may be counted as match are limited to salary costs and the cost of materials directly related to the provision of these services. Overhead costs (such as rent and utilities) are not considered direct costs.
- Match is credited at the time the supportive services are provided.

Match Source: Homebuyer Counseling

- PJs may count as match the direct cost of counseling provided to families that complete home purchases with HOME assistance.
  - Counseling may include pre-purchase and/or ongoing counseling during the period of affordability.
  - The counseling may be provided as part of a program that is not HOME Program-specific (for example, a lender-run homebuyer counseling program or non-profit program). However, only the costs of services to families that complete purchases with HOME funds count toward the match.
- Direct costs that may be counted as match are limited to salary costs and the cost of materials directly related to the provision of these services. Overhead costs (such as rent and utilities) are not considered direct costs.
- The match is credited at the time the counseling services are provided.
- Only some forms of match can be counted in HOME-eligible projects. See the chart below to determine which forms of match may be counted for your projects.

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Eligibility of Contributions as Match in HOME-Assisted and HOME Match-Eligible Housing		
Cash	X	X
Foregone Taxes, Fees and Other Charges	X	
Donated Land or Other Real Property	X	X
On-site and Off-site Infrastructure	X	
Proceeds from Affordable Housing Bonds	X	X
Donated Site Preparation and Construction Materials	X	X
Donated Use of Site Preparation and Construction Equipment	X	X
Donated or Voluntary Labor and Professional Services	X	X
Sweat Equity	X	X
Supportive Services	X	
Homebuyer Counseling Services	X	

INELIGIBLE SOURCES OF MATCH

- The following do ***not*** meet the requirements for eligible sources of match and do not count toward meeting a PJ's matching contribution requirement:
  - Contributions made with or derived from federal resources or funds (including CDBG), regardless of when the funds were received or expended;
  - The interest rate subsidy attributable to the federal tax exemption on financing (such as bonds issued by the state) or the value attributable to federal tax credits (such as the Low Income Housing Tax Credit Program);
  - Owner equity or investment in a project (except for sweat equity);
  - 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 for a HOME-assisted project (except for sweat equity or professional services donated by contractors who do not own any HOME projects);
  - A PJ's cost of administering HOME-assisted or HOME-eligible housing projects or rental assistance; and
  - Contributions counted as match toward any other federally-funded program.
- Other forms of contributions not meeting the HOME requirements (at 92.220) are also ineligible.

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MEETING THE MATCH OBLIGATION

Overview

- Meeting the match obligation poses a challenge to many PJs. That is why it is important to have a strategy for managing the match. PJs need to:
  - Plan ahead to meet match needs.
  - Consider the timing of draw-downs and investments in relationship to matching requirements.
  - Be creative when looking for matching contributions.
  - Set up a system for calculating and tracking both match obligations and match credits.
  - Have a strategy for finding match and addressing unexpected match shortfalls.
- Each of these is discussed below.

Plan Ahead to Meet Match Needs

- Many community development activities offer opportunities to find matching contributions. For example, PJs can:
  - Check local capital improvement budgets and plans for opportunities to use infrastructure improvements as a source of match.
  - Confer with the tax assessors' offices to identify tax foreclosed and delinquent properties that may be available for conveyance.
  - Network with local foundations, charities, others to identify grant funds, volunteer labor, services and even property that can be used as match.

    Example: The Community Foundation in Hometown, which collects charitable donations from a broad cross-section of the business community, makes grants each year to worthy nonprofits for a variety of uses. Their Can-Do housing initiative mirrors many of the requirements of the HOME Program. A grant from them could be counted as match if the projects assisted meet the requirements set forth in the regulations.

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Consider the Timing of HOME Draw-Downs

- Since match obligations accrue as HOME funds are drawn from the Treasury, project timing will affect management of the match. To avoid major problems:

  - PJs should review progress of HOME projects to predict upcoming match obligations.

  - PJs should consider delaying large draws into the next fiscal year if they have been unable to bank extra match or otherwise plan to meet the obligation.

  Example: HOME funds in the amount of $800,000 are committed to the rehabilitation of a multi-family rental housing project. The first payment is scheduled to be made to the construction contractor one week before the end of the federal fiscal year. Of the payment amount, $200,000 will be HOME funds, and will generate a match obligation of $50,000. If the PJ only has $25,000 in match credits available, delaying all or part of the draw-down to the next year provides more time to accumulate the required match.

Be Creative in Looking for Matching Contributions

- Remember that some types of investments in HOME-eligible as well as HOME-assisted projects can be counted as match.

- Look for projects supported with state funds and local public resources that might be HOME-eligible.

  Example: Hometown has an ongoing homeowner rehabilitation program funded with general tax revenues. The households assisted meet the HOME income requirements, and the rehabilitation work meets local rehabilitation standards and codes upon completion. Program expenditures incurred since October 1, 1992 can be counted as a matching contribution.

- Review previous public improvement and infrastructure investments to determine if recent projects (those completed within the last 12 months) directly support HOME-assisted projects.

- Look for opportunities to use donated labor, materials and services for upcoming projects.

  Example: A nonprofit in Hometown undertakes an annual "Christmas in April" program, where donated labor and materials are used to improve the homes of low-income

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households up to local rehabilitation standards and codes. The fair value of the donated labor and materials contributed to this program may be counted toward the match.

Create a Match Record-keeping System that Works

- PJs must keep a running log of match obligations and match credits as they are generated. HUD Notice CPD 97-03 includes a sample HOME Match Log. This notice is provided as an Appendix.
- The match log will serve as a management tool for the PJ and a monitoring tool for HUD. HUD will examine the PJ's log during monitoring visits to determine whether a PJ has met its match requirement for the fiscal year.
- The PJ is also required to maintain documentation in its project files that establish that each match contribution claimed:
  - Is eligible;
  - Has been made with respect to a HOME-assisted or HOME-eligible project; and
  - Has been valued in accordance with the HOME regulations and with customary and reasonable means of establishing value.
- PJs might also want to create a log of ***projected*** match obligations and credits to estimate their status through the year.
- PJs should supply potential match contributors with voucher slips and timesheets, so that they can easily report their contributions in a standard format. These documents should also be used by the PJ in-house.

EXHIBIT 9-3

HELPFUL HINTS: MANAGING THE MATCH

These tips will help PJs to manage the match.

- Keep match in mind when planning an activity or design a new affordable housing program. Consider the following strategies if they are not currently in use:
  - Negotiate fee and tax abatements.
  - Review PJ capital expenditure budgets for possible infrastructure projects to support the HOME Program.
  - Design and capitalize a housing trust fund.
  - Negotiate financial commitments from state housing finance agencies.
  - Talk to foundations and local charities about contributions to affordable housing.
- At the start of each fiscal year, try to anticipate the expenditures of HOME dollars. Then, calculate the total amount of match required and the likely years in which it may be needed.
- Develop a tracking system to keep tabs on the ***contingent*** as well as actual match liabilities incurred as HOME projects are approved.
- Don't wait to the last moment to make matching contributions. Given the obligation to make matching contributions within the same fiscal year that an obligation is occurred, it is easy to get caught short at the end of the year.
- Examine PJ capital improvements plans and schedules:
  - Consider using non-federal monies for improvements in areas where HOME activities are likely, so that these count as match.
  - Look at the schedules for infrastructure projects that might constitute match. Do they need to be changed so that they occur within one year of committing HOME monies?
- Time donations of land and real property so that they count when needed to meet the match.