

Homeownership Incentive Pilot Program Recommendation

Community Development & Neighborhood Connections

Homeownership Incentive Pilot Guidelines

To **incentivize** development of affordable homeownership units in market-rate projects, **the Town's pilot program would:**

- **target** households earning 80% - 120% of the area median income
- **provide** a per/unit subsidy of \$40,000
- **limit** the selling price to the HUD maximum sales price limit (adjusted annually) for the Raleigh Metropolitan Statistical Area, currently \$382,000 (allowing the builder to build a product valued at \$422,000)

Homeownership Pilot Scenario – 80% AMI Buyer

Pilot Example	
Homeownership Unit Market Value	\$422,000
<i>Less: Town Developer Incentive \$</i>	<u><i>(\$40,000)</i></u>
Homeownership Unit Maximum Sales Price	\$382,000
Closing Costs	\$19,100
Amount Due at Closing	\$401,100
<i>Less: Homebuyer Cash and Subsidies</i>	
<i>Homebuyer Cash Amount</i>	<i>(\$4,100)</i>
<i>NCHFA Community Partners Loan Pool Program (Subsidy)</i>	<i>(\$50,000)</i>
<i>NCHFA Home Advantage First-Time Homebuyer Down Payment Assistance Program (Subsidy)</i>	<i>(\$15,000)</i>
<i>Wake County Down-Payment Assistance Program (Subsidy)</i>	<u><i>(\$50,000)</i></u>
Homebuyer's 1st Mortgage Loan Amount	\$282,000

Homeownership Pilot Scenario – 80% AMI Buyer

Homebuyer Underwriting Assumptions:

- Household Income: \$97,840 (80% of the AMI)
- Household Size: 4
- Buyer Cash: \$4,100
- Buyer meets industry-standard mortgage underwriting ratios

Homeownership Pilot Scenario – Over 80% of AMI (up to an annual income of \$140,000)

Pilot Example	
Homeownership Unit Market Value (current sales price limit for the NC 1st Home Advantage Down Payment – Wake County)	\$490,000
<i>Less: Town Developer Incentive \$</i>	<u><i>(\$40,000)</i></u>
Homeownership Unit Maximum Sales Price	\$450,000
Closing Costs	\$22,500
Amount Due at Closing	\$472,500
<i>Less: Homebuyer Cash and Subsidies</i>	
<i>Homebuyer Cash Amount</i>	(4,100)
<i>NCHFA Home Advantage First-Time Homebuyer Down Payment Assistance Program (Subsidy)</i>	(\$29,052)
Homebuyer's 1st Mortgage Loan Amount	\$439,348

For both first-time and move-up home buyers, the NCHFA NC Home Advantage Mortgage™ provides qualified homebuyers whose annual income doesn't exceed \$140,000 with mortgages and down payment assistance up to 3% of the loan amount. The Agency also offers a \$15,000 down payment assistance option—the NC 1st Home Advantage Down Payment—just for first-time buyers and military veterans who meet additional eligibility criteria.

Homeownership Pilot Scenario – Over 80% AMI

Homebuyer Underwriting Assumptions:

- Household Income: does not exceed \$140,000
- Buyer Cash: \$4,100
- Buyer meets industry-standard mortgage underwriting ratios

*Wake County AMI: \$132,700 (effective 4/1/2025)

Homeownership Incentive Pilot Program Guidelines

- Housing Counseling required by a HUD-approved counseling agency for the buyer
- Approved Mortgage Lender Pool
- Affordability Period: 30 Years/Deed Restriction

Homeownership Incentive Pilot Program Recommendation

- A. **AUTHORIZE** the Town to implement a homeownership incentive pilot program to incentivize the inclusion of lower-priced for-sale units within market-rate developments.

- B. **AUTHORIZE** the associated budget amendments and transfers of funds of up to \$400,000 for the homeownership incentive pilot program from available funding in the Affordable Housing Fund.