

Sample Return calculation

1. Initial Sale (CLT to first homebuyer)

\$200,000	Estimated Market Value of Property (land and Improvement)-Determined by appraisal
(\$40,000)	Less HOME Development Subsidy
(\$30,000)	Less value of land based on appraisal
\$130,000	Sales Price To Current Home Owner

2. Subsequent Sales (homebuyer to homebuyer)

\$310,000	Estimated Market Value of Property ¹ (Improvement & Land) based on appraisal
(\$49,200)	Less Value of Land based on appraisal
(\$40,000)	Less HOME Development Subsidy
*\$220,800	Equals Estimated Market Value of Unit
Home Owner's Estimated Costs at Closing	
\$94,355	Primary Mortgage pay-off
\$10,000	Home Owner Closing Costs at time of subsequent sale
*\$104,355	Total Due at Closing

Return on Investment Calculation	
\$116,445	Net Proceeds (\$220,800 - \$104,355= \$116,445)
From Net Proceeds, deduct the following	
\$19,500	CPI equal to 1.5% (x) the number of years the Home Owner owned the Improvement (x) the Home Owner's purchase price (1.5% (x) 10 years (x) \$130,000 purchase price) = \$19,500
\$35,645	Home Owner's Equity (mortgage paid down after 10 years)
\$10,000	50% of Capital Improvements completed within 5 years of resale when the improvement item is greater than \$3,000= \$20,000 (x) 50%= \$10,000
\$10,000	Home Owner's Closing Costs (from above)
\$75,145	Equals the Fair Return on Investment if Available From Net Proceeds (this amount can never exceed the amount of Net Proceeds)
Maximum Resale Price to Next Homebuyer	
\$179,500	An amount no greater than \$104,355 + \$75,145.

In this example, when the Home Owner decided to sell their Improvement the estimated market value of their Improvement was \$220,800. Because of this estimated market value, the Home Owner was able to repay all liens and closing costs, and receive a full return on their investment. This may not happen in a declining or depressed housing market. Regardless, the subsequent sales price of the unit is always capped at the following: The (1) Home Owner's Costs at Closing, plus (2) the Fair Return on Investment amount or the Net Proceeds amount, whichever is less. This is the trade-off for not having to purchase the land under the unit and receiving the benefit a reduced sales price equal to the HOME development subsidy. ¹ Assumes a 5%, fixed-rate, 30-year mortgage² CPI calculated based on annualized averages and a flat rate for this example. <https://www.calculator.net/inflation-calculator.html>

¹ The Estimated Market Value (EMV) of a unit is used to calculate the Home Owner's Return on Investment at the time of sale. It is NOT used to set or determine the sale price. In this example, the market value was high enough it will allow Home Owner to recoup 100% of their investment, but this is not always the case. In some markets, the EMV of the unit will be so low it will not be adequate funds available from the Net Proceeds for the Home Owner to recoup all, any, or some of their investment.