

Resale Profit

By Definition at Section 40.07.343 of the Unified Development Code, Resale Profit is defined:

. . . **B.** If a workforce dwelling unit sold originally to a qualified homebuyer is sold during the fifteen (15) year affordability period, it must be resold to an eligible qualified homebuyer at an affordable price to the new homebuyer. In the event that title to a workforce dwelling unit is transferred by the initial purchaser or a subsequent purchaser to any person, in an arms-length transaction, prior to the fifteenth (15th) anniversary of the date of acquisition of the workforce dwelling unit by the initial purchaser, and if the seller receives consideration for such transfer in excess of the purchase price paid for the workforce dwelling unit, plus usual and customary closing costs, plus properly documented capital improvements to the workforce dwelling unit made by or on behalf of the purchaser ("Resale Profit"), the seller and purchaser are jointly and severally liable for and agree to pay the Resale Profit, multiplied by one (1) minus a fraction, the numerator of which is the number of complete calendar months since the date that the initial purchaser purchased the workforce dwelling unit, and the denominator of which is one hundred eighty (180) to New Castle County ("NCC's Resale Profit"). In the event that the seller or purchaser fail to pay the NCC Resale Profit to the County on the date of transfer of title to the workforce dwelling unit, the County shall have a lien against the workforce dwelling unit for NCC's Resale Profit, plus interest thereon at the rate of ten (10) percent per annum. Any and all Resale Profit paid to the County shall be deposited into the New Castle County Housing Trust Fund. In the event that a seller or purchaser defaults on any term of the deed restrictions, the County may pursue default remedies in accordance with the terms of the deed restrictions.

(Amended February 26, 2008 by Ordinance 07-150; amended February 24, 2009 by Ordinance 08-121; amended January 18, 2011 by Ordinance 10-113)

This is represented as a formula:

$$\text{Resale Profit} \times \left(1 - \frac{\text{number of months}}{180} \right)$$

Example: Purchase property for \$200,000. Owner-occupy the property for 60 months (5 years) and sell the house for \$225,000. Closing costs for selling a house can be estimated at 10% (\$22,500). This leaves a profit of \$2,250.

$$\$2,250 \times \left(1 - \frac{60}{180} \right) \text{ which is}$$

$$\$2,250 \times \left(1 - \frac{1}{3} \right) \text{ or}$$

$$\$2,250 \times \left(1 - 0.33 \right) \text{ calculated as:}$$

$$\$2,250 \times .67 = \$1,507.50$$

In this example where the profit is \$2,250, the amount of Resale Profit due to the Housing Trust Fund at time of settlement is \$1,507.50*

**Please remember 45 months of principal payments should have also been made. The mortgage payoff should be less than purchase price. New Castle County is not entitled to any amount of the principal reduction of the mortgage.*