

A. Procedures for Accessing Development Fund Loans

The Indiana Affordable Housing and Community Development Fund (“Development Fund”) was established in 1989 to provide financing options for the development of safe, decent, and affordable housing in Indiana communities. In an effort to streamline the multi-family application process, developers applying for Rental Housing Tax Credits (RHTCs) or Multifamily Private Activity Tax-Exempt Bonds (Bonds) may simultaneously request a Development Fund loan. To also access a Development Fund loan, you must indicate the Development Fund request on Form A.

If an application either (1) fails the Development Fund threshold review; or (2) Development Funds are not available to loan, then the Applicant will be expected to utilize its identified plan to fill the gap as required under Section 5.1 H(4)(b) of the QAP.

Applicants who receive a Development Fund loan are subject to additional regulations and requirements, which may be found in the Indiana Code at IC § 5-20-4 and IC § 14-21-1-18 (State Historic Review). Before requesting a Development Fund loan, applicants should familiarize themselves with these requirements. IHCD strongly encourages applicants to consult with legal and accounting advisors due to the complexity of these programs.

There is a \$1000 application fee for all Development Fund loan requests.

B. Technical Assistance

IHCDA’s Director of Real Estate Lending is available to answer questions you have about applying for a Development Fund loan. The Director can be reached by calling (317) 232-7777 or toll-free at (800) 872-0371.

C. Development Fund Program Eligibility

1. Eligibility will be determined based on:
 - a. Whether the development demonstrates a need for a Development Fund loan in order to make a greater number of rental units affordable to lower income households.
 - b. Whether the development meets State and Federal requirements of all programs for which it is applying.
 - c. If the development ranking is sufficient for it to be awarded RHTCs or Bonds pursuant to the RHTC or Bond process.
 - d. The availability of Development Funds.



D. Eligible Applicants

The Development Fund applicant must be a Community Housing Development Organization (CHDO), a Not-for-Profit (NFP) corporation that is exempt from taxation under sections 501(c)(3) or 501(c)(4) of the Internal Revenue Code, a Limited Partnership (LP), or a Limited Liability Company (LLC) organized under Indiana law. The Development Fund is required to allocate at least fifty percent (50%) of its resources to nonprofit organizations that are exempt from taxation under section 501(a) of the Code. Loans may be awarded or denied based on this requirement.

E. Development Fund Loan Limitation

The maximum Development Fund loan request is \$500,000 per application. Based on availability of funding, IHCD may, at its discretion, issue a RED Notice prior to a funding round to reduce the amount allowed per application.

F. Development Fund Loan Cap

The \$500,000 maximum request will also apply at a project level. An applicant who divides an existing project or contiguous sites into multiple applications will only be allowed to request \$500,000 total for the project, not \$500,000 per application.

Awardees with current Development Fund awards are eligible to apply for additional funding. All outstanding awards must be current, in compliance with all program requirements, and otherwise in good standing in order to be considered for additional awards. However, no individual project sponsor or its affiliates may hold more than 20% of the Development Fund's total portfolio at any one time. Individuals or organizations currently on IHCD's suspension or debarment list are not eligible to apply for Development Fund awards. Additionally, any individuals or organizations who are in default with any lender or partner are ineligible to apply for Development Fund loans for one year following cure of the default.

G. Flood Plains

If a flood plain and/or wetlands are located anywhere on the site, the site plan must show where the buildings, common areas, and any land improvements will be located in relation to the flood plain and/or wetlands.

100-year Flood Plains (Zone A1-30, AE, A, AH, AO, AR, or A99 as defined by HUD): Applications that propose the placement of buildings in a 100-year flood plain must submit the following documentation:

- a) All areas of the 100-year flood plain must be documented by the FEMA map for the areas in which the site is located. The proposed site for development must be located on that map.



- b) A FEMA Conditional Letter of reclassification for the property that shows that the property is eligible for reclassification out of the flood plain area.
- c) A qualified licensed surveyor or civil engineer must provide a letter identifying necessary mitigation activities and costs for the site work involved in the reclassification.
- d) A letter identifying the financing plan to cover the costs of reclassification.

For all properties that receive an award of RHTCs and are located in a 100-year flood plain at the time of initial application, a final letter of reclassification from FEMA along with an elevation certification must be provided to IHCDCA at the completion of the Development. If wetlands or hazardous substances exist on the site, the Applicant must submit: 1) evidence that the wetlands or hazardous substances can be mitigated; and 2) a plan, that includes financing, of how the Applicant anticipates mitigating the wetlands or hazardous substances.

H. Uses of Development Fund Loan

A Development Fund loan may be used for acquisition, permanent financing, or construction financing (new construction hard costs or rehabilitation hard costs) of Development Fund-assisted units or to pay off a HOME CHDO Predevelopment loan, a HOME CHDO Seed Money loan, or a Pre-Development Development Fund loan. A Development Fund loan cannot be used for Developer Fee.

I. Loan Term

The applicant may propose a loan term of up to two years of construction financing and up to 15 years of permanent financing. For Developments with HUD financing, the permanent loan term may exceed 15 years to match the term of the HUD loan.

Amortization schedule will be a maximum 30-year amortization schedule or co-terminus with first-mortgage financing.

J. Interest Rate

Applicants receiving Development Fund loans must demonstrate the ability to repay the loan. If the loan will not take second position behind permanent financing, the developer must receive IHCDCA approval.

The base interest rate for loans is 3%. The interest rate offered by IHCDCA will be determined during underwriting. Underwriting will start at 3% and make a final determination based on financial capacity.

K. Security or Collateral

The Development Fund loan must be secured. Typically, such security is met by a mortgage on the assisted property, which may be subordinated to other financing, depending on whether there is sufficient collateral to fully cover the amount of the loan. The security pledge should reflect the degree of risk inherent to the development and must be proportionate to the level of funding requested. The appropriateness of the security offered will be an element of the funding decision. Although IHCDCA will agree to subordinate the Development Fund loan in priority, it will do so using the Subordination Agreement located in the Forms section of this QAP.

L. Threshold Criteria

1. On or before the application deadline, the applicant must provide all documentation as instructed in the “Form A– Development Fund Supplement.” If the Authority requests additional information from the applicant, all documents are due on or before the date provided by IHCDCA staff.
2. The applicant and development must meet all the requirements in this Schedule and Indiana Code § 5-20-4 and be supported by required documentation. If the Authority requests additional information from the applicant, all documents are due on or before the date provided by IHCDCA staff.
3. The applicant must submit to IHCDCA the State Historic Review documentation as required by IC 14-21-1-18. Instructions regarding the documentation required for the Development Fund’s state historic review process can be found in the [Environmental Review Record and Section 106 User’s Guide](#). Applicants must determine if the development building(s) or structure(s) are listed individually in the State or National Register of Historic Places. See required documents in Section 5.1K of the QAP.
4. The applicant and any related party must not be out-of-compliance in connection with any other IHCDCA-funded project in which they are involved and/or must not be on any IHCDCA suspension list, nor be in default with any lender or partner.
5. IHCDCA may disqualify any applicant that has a history of disregarding policies, procedures, or staff directives associated with administering any IHCDCA program, or programs of any other State or Federal housing entities. Such other entities include, but are not limited to, the U.S. Department of Housing and Urban Development (HUD), Indiana Department of Commerce, U.S. Department of Agriculture - Rural Development, or Federal Home Loan Bank.

M. Determining Number of Development Fund Assisted Units

The percentage of total development costs attributable to the Development Fund represents the percentage of units that will be considered DF-assisted. The minimum number of DF-assisted units is determined using the following calculation:

- Divide the Development Fund request by total development costs.
- Multiply this percentage by the total number of units in the project, rounding up to the next whole number of units.
- For example, if total development costs are \$2,000,000 and the applicant is requesting \$500,000 in Development Fund financing, then 25% of the construction financing is through the Development Fund. As such, 25% of the units will be DF-assisted and must meet the requirements of the Development Fund program.

N. Occupancy Restrictions and Rent Limits

At least 50% of the Development Fund assisted units must be occupied by households whose incomes are at or below 50% of the area median income adjusted for household size ("AMI"), and the additional Development Fund-assisted units must be for incomes at or below 80% of AMI. The required number of Development Fund assisted units restricted at 50% AMI income and rent limits is determined by the following calculation:

- 50% of the Development Fund assisted units (as defined above); or
- If there are 50 or more units in the Development, the number of units set at 50% AMI is the **greater of** 50% of the Development Fund assisted units (as defined above) or 10 units.

Rent (including tenant-paid utilities) must not exceed the rent limits of the Rental Housing Tax Credit (RHTC) program.

All tenants who occupy Development Fund -assisted units must be income certified and recertified according to the requirements of the RHTC or HOME program as appropriate.

O. Minimum Period of Affordability

Rental developments will be subject to a Lien and Restrictive Covenant Agreement (LRCA) that must be executed against every residential property constructed, rehabilitated, or acquired, in whole or in part, with Development Fund funds. The term of the Development Fund affordability period, as secured by the lien, will be the greater of 15 years or the term of the Development Fund loan.

Upon occurrence of any of the following events during the affordability period, the entire sum secured by the lien, including all accrued interest, shall be due and payable by developer and/or owner upon demand. Repayment may be demanded upon: (1) transfer or conveyance of the real estate by deed, land contract, lease, or otherwise, during the affordability period; (2) commencement of foreclosure proceedings by any mortgagee (or deed in lieu of foreclosure),



within the affordability period; (3) notice of default from any lender or partner; or (4) determination that units are not being used as a residence by a qualifying tenant or not leased according to the program affordability requirements. The award recipient will be responsible for repaying IHCD.

IHCD may use purchase options, rights of first refusal, or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability.

At the end of the affordability period, if the borrower/recipient has met all conditions, the lien will be released, and full repayment of the loan is expected.

P. Property Standards

1. The completed development must meet the more stringent of the local rehabilitation standards or the Indiana State Building Code.
2. Multi-family units, as defined at 24 CFR 100.201, must meet the design and construction requirements at 24 CFR 100.205, which implements the Federal Fair Housing Act Amendments of 1988.
3. Newly constructed housing must meet the edition of the Indiana Energy Conservation Code published by the International Code Council that was in place at the time of application.

Q. Underwriting Criteria

In reviewing requests for a Development Fund loan in conjunction with RHTCs or Bonds, IHCD will utilize the same underwriting criteria and analysis required by the QAP. Applicants awarded a Development Fund loan in conjunction with RHTCs or Bonds may receive an offer of assistance (i.e., loan amount, loan term, interest rate, etc.) that is different from that requested. Applicants will be notified if changes should occur.

R. Development Fund Assurances and Certifications / Borrowing Resolution

Applicants are required to submit an original, fully executed Development Fund Assurances and Certifications form. Applicants who receive funding are bound by the contents of this form and should consult legal counsel on its meaning and scope. The Assurances and Certifications form must be signed by the applicant's chief executive officer and must be attested.

In addition, a non-profit applicant must submit a borrowing resolution passed by its Board of Directors authorizing submission of the loan request. The applicant must use IHCD's template borrowing resolution form as found on the [Development Fund webpage](#).

S. Development, Financing, and/or Applicant/Owner Modifications

Modifications to the Development that affect Threshold Requirements, scoring items, and/or IHCDAs financing terms in any way without prior written approval from the Authority may result in a reduction and/or rescission of the Authority funding (including private activity tax-exempt bonds). Modification requests are subject to a \$1,000 modification fee.

To request a modification, the following documentation must be submitted to IHCDAs for consideration:

- a. Formal written request from the Owner/Developer detailing the specific request and the reason the request is needed.
- b. The impact to the project in the event the modification request is not approved.
- c. Modification fee of \$1,000 to be submitted through the IHCDAs payment portal.
- d. Updated pages from Form A (Initial application) that reflect changes to the original application based on the current closing projections and/or proposed modification.
- e. At its discretion, IHCDAs may request additional supporting documentation.