

A. Procedures for Accessing Development Fund Loan

The Affordable Housing and Community Development Fund (“Development Fund”) provides financing options for the development of safe, decent and affordable housing in Indiana communities. The Indiana Housing and Community 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 the “Multi-Family Housing Finance Application.”

If a competitive application either (1) fails the Development Fund threshold review; or (2) Development Funds are not available to loan, IHCD will allow the applicant to submit additional information to identify other means of filling the development's financing gap. Upon timely receipt of requested information, these applications will continue to be allowed to compete for an allocation of RHTCs or Bonds.

Applicants who receive a Development Fund loan are subject to additional regulations and requirements, which may be found in the Indiana Code at I.C. § 5-20-4. 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 \$750 application fee for all Development Fund loan requests.

B. Technical Assistance

IHCD'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.

F. Development Fund Loan Cap

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. Development Location

100-year Flood Plains: 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 qualified licensed Civil Engineer or surveyor must document mitigation for impacts to existing floodplains planned for the Development. A resume for the person providing the mitigation information must be submitted with this documentation.
- c) A FEMA Conditional Letter of reclassification must be obtained for the property that shows that the property is eligible for reclassification out of the flood plain area.



- d) A financing plan and costs for the site work involved in the 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.

Projects located in communities with a local housing trust fund are eligible for Development Fund assistance if the local housing trust fund has made a significant enough commitment to the project to demonstrate local support. Applicant must demonstrate that they have applied to the local housing trust fund, and must provide evidence of a decision from the local fund, at the time of application.

IHCDCA will invest Development Fund financing into projects in communities with local housing trust funds to meet IHCDCA's match obligation under IC 5-20-4-14(B). As a condition to receipt of the Development Fund investment, the local housing trust fund must agree to both payment subordination and lien subordination for the local investment.

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. A Development Fund loan cannot be used for Developer Fee.

I. Loan Term

The applicant may propose a loan term of up to two (2) years of construction financing and up to fifteen (15) years of permanent financing with a maximum thirty (30) year amortization schedule or co-terminous with first-mortgage financing (whichever is less).

J. Interest Rate

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

The base interest rate for loans is three-percent (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. The final interest rate will not be less than 3%, but may exceed 3% based on 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. For a Development Fund-assisted development, IHCDCA will subordinate, if the Development Fund loan plus other financing will not exceed 100% of the after construction appraised value. If financing is requested beyond this amount, IHCDCA may also accept liens on personal property or on other real estate. 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 "Multi-Family Housing Finance Application – 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. On or before application deadline the applicant must submit to IHCDCA the State Historic Review documentation as required by Indiana Code 14-21-1-18. Instructions regarding the process may be found in the Historic Review User's Guide at <http://www.in.gov/myihcda/2490.htm>. (See the HOME and CDBG Program Manual, Chapter 11-ER Process).
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 Development Fund Assisted Units

The percentage of total development costs attributable to the Development Fund represents the percentage of units that will be considered Development Fund assisted. For example, if development costs are \$2,000,000 and the applicant is requesting \$500,000 in Development Fund financing, then twenty-five percent (25%) of the construction financing is via the Development Fund. As such, 25% of the units will be assisted with the Development Fund and must meet the requirements of the Development Fund program. For projects over 50 units, 10 units or 50% of the assisted units whichever is greater must be designated at or below 50% of the area median income for both income and rent limits.

N. Occupancy Restrictions and Rent Limits

Fifty percent (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. Rental rates (including tenant-paid utilities) must not exceed the limits of the Rental Housing Tax Credit (RHTC) Program and/or the HOME Investment Partnerships Act (HOME) Program as appropriate. If Development Fund-assisted units are not developed with the assistance of RHTC or HOME funding, the RHTC rent and income limits will apply. To insure that you are using the appropriate rents for your development, please contact a Multi-Family Analyst prior to application submission. For projects over 50 units, 10 units or 50% of the assisted units whichever is greater must be designated at or below 50% of the area median income for both income and rent limits.

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 lien will assign a minimum fifteen (15) year affordability period for all rental housing developments. Upon occurrence of any of the following events during the affordability period, the entire sum secured by the lien, without 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.

IHCDA 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.

P. Property Standards

1. The completed development must meet the more stringent of the local rehabilitation standards or the Indiana State Building Code.
2. The development must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973.
3. 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.
4. 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, IHCDA will utilize the same underwriting criteria and analysis required by the then-current RHTC Qualified Allocation Plan for the State of Indiana. 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

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.

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

Modifications to the Development that affect Threshold Requirements, scoring items, and/or IHCDA 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 IHCDA 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
- 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, IHCD may request additional supporting documentation.

