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To: HOME Program Partners  
From: Real Estate Department  
Date: September 27, 2022  
Re: **Gap Funding for HOME Rental Developments Due to Cost Increases- Policy Extension**

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Notice: **RED-22-52**

On November 18, 2021, IHCDCA released the policy for Development Fund as Gap Financing via RED Notice 21-53. Effective today, IHCDCA is extending and amending the policy.

The policy has been extended until the earlier of: (1) March 31, 2023 or (2) such time that all funds have been allocated.

The extended policy is described below.

#### **DEVELOPMENT FUND LOANS AS GAP FINANCING**

IHCDA will offer Development Fund ("DF") loans of up to \$500,000 per development to serve as gap financing. Additional DF is available even if the development has already received a DF award.

#### **Eligible Applicants**

Developments with a Fiscal Year 2018, 2019, or 2020 HOME rental award that either:

- 1) Have closed on all financing and are under construction but continue to experience a funding gap due to increased costs; or
- 2) Have not closed on financing and are experiencing a funding gap due to increased costs.

#### **Ineligible Applicants**

The following development types are ineligible to request additional funding through this policy:

- Applications funded in summer 2022 with Fiscal Year 2021 HOME rental funds.
- Any LIHTC development.

#### **Eligibility Requirements**

- For developments that have not closed on all financing, the closing must occur within 60 days of securing a commitment of DF from IHCDCA. No exceptions or extensions will be granted.
- Cost increases must be due to unforeseen occurrences that coincided with the onset of COVID-19.



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**ADDRESS** 30 South Meridian Street, Suite 900, Indianapolis, IN 46204  
**PHONE** 317 232 7777 **TOLL FREE** 800 872 0371 **WEB** [www.ihcda.IN.gov](http://www.ihcda.IN.gov)

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- Per DF policy, IHCDa will determine that a certain number of units are considered “DF-assisted units” based on the percentage of total development costs covered by the DF award. At least 50% of the DF-assisted units must be designated at or below 50% AMI income and rent limits.

### **Loan Terms**

DF loans will be offered with a 0% interest rate with up to a 15-year term and a 30-year amortization period. IHCDa will consider a request for the loan to be cash flow contingent on a case-by-case basis. All loans will be secured by a mortgage. Borrower must execute a DF loan agreement, mortgage, note, and lien. IHCDa will accept a subordinate lien position.

If the development already includes a previously awarded DF loan, the terms for that initial loan remain in effect including the applicable interest rate. The terms above apply only to the additional funding.

### **Submission Requirements and Instructions**

Applicants must submit the following:

- Updated HOME Application Form with documentation of all sources and the DF supplemental application completed.
- A narrative describing the need for additional funding and other steps already taken to fill the gap, including any applicable supporting documentation.

Application materials must be submitted electronically using a OneDrive folder. Applicants should contact Peter Nelson at [PNelson@ihcda.in.gov](mailto:PNelson@ihcda.in.gov) to request access to a folder.

### **Application Process**

Effective the date of this notice, applications will be accepted and approved by IHCDa on a first come, first-served basis. Once submitted to IHCDa, IHCDa anticipates providing a response within 30-60 days.

Applications will be accepted until the earlier of: (1) March 31, 2023 or (2) such time that all available funds have been allocated. IHCDa will post an application and award list on the HOME webpage.