



To: Rental Housing Tax Credit Partners

Notice: **RED-22-51**

From: Real Estate Department

Date: September 27, 2022

Re: **TCAP Funding Available Due to Cost Increases – Policy Extension**

On September 23, 2021, IHCD released the policy for TCAP Funding as Gap Financing via RED Notice 21-44. The policy was extended and amended via RED Notice 22-16. Effective today, IHCD is again extending 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.

### **Tax Credit Assistance Program (TCAP) Program Income as Gap Financing – Extended**

IHCD has dedicated up to \$20,000,000 in TCAP Program Income to offer loans of up to \$500,000 per development to serve as gap financing. \$10,539,589 of the \$20,000,000 remains available as of the date this policy is approved and released.

### **Eligible Applicants**

- Developments with a 9% RHTC award from allocation year 2020, 2021, or 2022 that have either:
  - 1) 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.
- Developments with a 4% RHTC award and tax-exempt bond financing that have either:
  - 1) Closed on all financing and are under construction but continue to experience a funding gap due to increased costs. A development is ineligible if it has already been placed-in-service; or
  - 2) Have not closed on financing and are experiencing a funding gap due to increased costs.

Any bond applications approved for funding after the date of this notice are ineligible to request TCAP.



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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## **Eligibility Requirements**

- For developments that have not closed on all financing, the closing must occur within 60 days of securing a commitment of TCAP from IHCD. No exceptions or extensions will be granted.
- Applicant must have a commitment from an equity investor.
- Cost increases must be due to occurrences that coincided with the onset of COVID-19.
- Applicants must show deferred developer fee as a source at an amount no less than 40%.
- Applicants must commit to extra years of affordability based on the amount of TCAP that is loaned to the project. This extension of the Extended Use Period will be enforced through a recorded TCAP Lien and Extended Use Agreement.
  - Less than \$100,000 of TCAP = 1 additional year of affordability (31 years)
  - \$100,000-\$199,999.99 of TCAP = 2 additional years of affordability (32 years)
  - \$200,000-\$299,999.99 of TCAP = 3 additional years of affordability (33 years)
  - \$300,000-\$399,999.99 of TCAP = 4 additional years of affordability (34 years)
  - \$400,000-\$500,000 of TCAP = 5 additional years of affordability (35 years)
- Except for the additional year(s) of affordability referenced above, TCAP funding does not impose any additional regulatory/compliance requirements beyond that of RHTC.

## **Loan Terms**

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

## **Submission Requirements and Instructions**

Applicants must submit the following:

- Updated Form A with documentation of all sources.
- A commitment letter from the equity investor.
- 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 Meghan Bowman at [mbowman@ihcd.in.gov](mailto:mbowman@ihcd.in.gov) to request access to a folder.

## **Application Process**

Effective the date of this notice, applications will be accepted and approved by IHCD on a first come, first-served basis. Once submitted to IHCD, IHCD 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 funds have been allocated. IHCD will post an application and award list on the RHTC webpage.