IHCDA is aware that changes in the equity pricing market are impacting the financial feasibility of Rental Housing Tax Credit (RHTC) developments. In order to respond to this change in the market in a manner that serves our developer partners, IHCDA is enacting the following policies effective immediately.

Questions about this notice should be directed to Matt Rayburn (mrayburn@ihcda.in.gov) or Alan Rakowski (arakowski@ihcda.in.gov).

Note: A draft form of this policy was released on January 23, 2017 as Notice RED-17-02. IHCDA accepted written comments until February 6, 2017. This final notice incorporates some of the clarifications and changes requested by our partners during that public comment period. A summary of additional comments received can be found in Part IV of this notice.

I: Exchange of Credits for 2016 Developments

Developments that received a reservation of 2016 9% credits and entered into a Carryover Agreement, but that have not yet closed on their financing will be deemed as meeting the criteria for “Exchange of Credits” under Part H(13) 2016/2017 Qualified Allocation Plan (“QAP”) if the closing has been affected by changes in equity pricing. The recent changes in the equity market will hereby qualify as a “catastrophic event that the Applicant could not reasonably have anticipated or controlled.”

To request an exchange of credits, the developer must follow the procedure outlined in Part H(13) of the QAP, with the exception that IHCDA hereby waives “payment of a nonrefundable reservation fee of 4.0% of the annual amount of Rental Housing Tax Credits for the Development.” Any other language in the 2016/2017 QAP that imposes penalties for the exchange or return of credits is similarly waived.

All of the Exchange of Credit policies outlined above will expire on August 31, 2017.
II: Development Fund as Additional Gap Funding

IHCDA will utilize the Indiana Affordable Housing and Community Development Fund ("Development Fund") to provide additional funding for Eligible Developments with a demonstrated gap. “Eligible Developments” are defined within this policy as either (1) 9% RHTC developments that received a reservation of 2016 or 2017 credits and entered into a Carryover Agreement, but that have not yet closed on their financing, (2) 4% RHTC / multifamily bond developments that have been approved for funding from IHCDA as of the date of this notice but that have not yet closed on their financing, or (3) 4% RHTC / multifamily bond developments that submitted applications to IHCDA prior to November 8, 2016. All Eligible Developments must demonstrate a gap caused by changes in equity pricing to be considered for additional funding through the Development Fund.

Eligible Developments with an existing Development Fund award may request additional Development Fund in an amount so that the aggregate Development Fund award in the development does not exceed $800,000. Eligible Developments that do not already have a Development Fund award may request an award up to $800,000. As such, IHCDA hereby waives the Development Fund Loan Limitation found in Schedule J, Part E of the 2016/2017 QAP.

Requests for additional Development Fund or a new Development Fund award will be underwritten by IHCDA staff and terms will be offered on a case-by-case basis based upon the need of the particular Eligible Development. As such, IHCDA hereby waives (1) the Loan Term language found in Schedule J, Part I of the 2016/2017 QAP and (2) the Interest Rate language found in Schedule J, Part J of the 2016/2017 QAP to allow flexibility and discretion in setting loan terms on a case-by-case basis. IHCDA, at its sole discretion, will determine final loan terms and repayment structure on a project-specific basis.

Requests for additional Development Fund or a new Development Fund award for an Eligible Development will not result in a penalty to the applicant. The language about “Additional IHCDA Resources after a Credit Allocation” in Part H(14) of the 2016/2017 QAP imposing a fine and/or suspension for applicants that request “additional resources” is hereby waived for Eligible Developments that request Development Fund.

After the release of the final policy, IHCDA will provide additional information on how to make requests for additional Development Fund, including application forms designed for this purpose.

All of the Development Fund policies outlined above will expire on December 31, 2017.

III: Calculation of Credits / Basis Boost for 2017 Developments

IHCDA hereby amends the boost calculation language found in Part F(4)(q)(11) of the 2016/2017 QAP as follows:
Developments awarded credits through the 2017-A-C round, as announced at the February 2017 IHCDA Board of Directors meeting, will receive a reservation letter that calculates the credit reservation amount using a 120% maximum basis boost cap (if eligible for a boost per the QAP), or at a lower boost amount as requested in the initial application. However, IHCDA will hold back sufficient 2017 credits to be able to later increase the credit reservation to the amount derived from a calculation based on a 130% basis boost. The applicant will pay an initial reservation fee based on the amount of credits listed in the reservation letter.

At a later date, the applicant may come back to IHCDA and request access to additional credits in an amount up to the difference between the calculation based on a 120% boost (or lower if a lower amount was requested in the initial application) and a 130% boost. The following terms will apply to such a request:

- The applicant must submit a formal written request to IHCDA, demonstrating the need for additional credits as caused by changes in equity pricing from the amount anticipated in the initial application for tax credits. After the release of this final policy, IHCDA will provide additional information on how to submit this request, including application forms designed for this purpose.
- The maximum amount of credits allocated to any development cannot exceed the $1,200,000 cap identified in part F(3)(a) of the 2016/2017 QAP.
- The gap identified cannot be filled exclusively by additional credits. Instead, the applicant must request a combination of funding so that the gap is filled by a 1:1 ratio of Development Fund and tax credits. Development Fund requests will follow the policy outlined in Part II of this notice.
  - The applicant must identify the full amount of gap and disclose to IHCDA.
  - The request for additional funding must request a combination of Development Fund loan and additional tax credits, so that the gap is filled by a 1:1 ratio of Development Fund and tax credits, unless such a split would exceed the maximum amount of Development Fund available per development ($800,000). In this case, the amount of credits requested can exceed the amount of Development Fund requested.
  - For purposes of the 1:1 ratio, the tax credit amount will be the 10 year total, not the annual credit amount.
- If awarded additional credits, the applicant must pay an additional reservation fee. That reservation fee will be calculated at a rate of 13% of the additional credits reserved.
- Applications requesting additional credits will not be rescored under the QAP for any category, including the “tax credit per bedroom” and “tax credit per unit” scoring categories of the 2016/2017 QAP. However, all applications requesting additional credits will be re-underwritten to ensure financial feasibility.

IHCDA will maintain a “waitlist” of applications that were not funded in the 2017-A-C round. If the credits held back for use under this policy are not used, IHCDA will then award those remaining 2017 credits to waitlist applications in the order they are placed on the waitlist. Applications will be placed on the waitlist by highest score, irrespective of set-aside category. This waitlist will be announced at the February 2017 IHCDA Board of Directors meeting and posted online along with the list of funded applications. If the amount of credits remaining is not sufficient to fund the first application on the waitlist, IHCDA will contact the applicant to see if
they are able to proceed with the lower amount of credits, allowing the applicant to propose modifications to the original application (for example, a modest reduction in units). Approval of such modifications is at the sole discretion of IHCDA and the modifications must not alter the original intent of the application. If the applicant cannot move forward with a lower reservation of credits, IHCDA will remove the application from the waitlist and continue to the next application on the waitlist.

All of the Calculation of Credits/ Basis Boost policies outlined above will expire on September 15, 2017. At that time, any unused 2017 credits will be used to fund developments on the 2017 waitlist as described above.

**IV: Summary of Public Comments Not Incorporated into the Final Policy**
The following comments were received during the public comment period for the draft version of this policy (released on January 23, 2017 as RED Notice 17-02) but were not incorporated into this final version. This is not an exhaustive list of every specific comment received, but rather a summary.

- Extend the policy to also cover 2018 applications. Each provision within this policy expires in 2017, as outlined above. IHCDA does not believe it is reasonable to predict at this time if 2018 developments will continue facing issues with equity pricing.
- Increase the amount of Development Fund available for additional gap. Various commenters requested total Development Fund awards ranging from $1,000,000 to $1,500,000 instead of the $800,000 cap proposed in the policy. IHCDA does not have sufficient resources available to offer this amount of gap.
- Offer other gap funding sources, such as TCAP, HOME, and CDBG-D in addition to Development Fund. IHCDA does not have sufficient resources available at this time to open these programs up as additional gap.
- Reduce the reservation fee on the additional credits. The original draft policy proposed a reservation fee of 16% for additional credits. Some commenters thought this was a reasonable way to discourage the use of additional credits, but others disagreed and requested the fee be kept at the traditional 6.5% (or dropped to an even lower rate). IHCDA believes that the fee should be higher to discourage use of the additional credits when possible, but agrees that 16% was high. As such, the fee was reduced to 13% in the final policy. This amount is double the traditional reservation fee of 6.5% as outlined in the 2016/2017 QAP.
- Award additional credits to 2015 or 2016 deals that have not yet closed. In order to fund the most deals possible under the 2017 round, and since almost all 2015 and 2016 Indiana deals have already closed, IHCDA declines to offer additional credits into these deals.