



February 6th, 2025

Jacob Sipe  
Indiana Housing and Community Development Authority  
30 S. Meridian, Suite 900  
Indianapolis, IN 46204

**RE: Comments on the 2026-2027 Indiana Qualified Allocation Plan (“QAP”)**

Dear Jacob,

On behalf of Brinshore Development, L.L.C. (“Brinshore”), Dominion Due Diligence Group (“D3G”), and our housing authority partners, we appreciate this opportunity to provide comments on the 2026-2027 IHCDQ QAP in line with our joint mission to preserve and improve the conditions of public housing.

In Indiana, Brinshore, D3G, and our partners have successfully implemented Public Housing Repositioning to help Public Housing Authorities (“PHAs”) address extensive deferred maintenance, deteriorating infrastructure, and unsafe living conditions in aging public housing developments, that would otherwise be at risk of disposition without replacement. To better support these efforts, we request the following changes be reflected in the 2026-2027 IHCDQ QAP:

1. **Repositioning Set-Aside - 4% Competitive Applications.** We request that a dedicated set-aside for projects that seek to reposition existing public housing developments within the 4% Competitive and Affordable and Workforce Housing Tax Credit (“AWHTC”) application round be given a designated set-aside. Currently, these projects must compete directly against new construction projects for the same limited resources, putting them at a strong disadvantage. Public housing repositioning projects often face unique challenges, including significant rehabilitation costs, relocation considerations, and complex financing structures. Without a dedicated set-aside, these developments simply cannot compete with new construction because of the difficulties with implementing universal design, sustainable development characteristics, and site-specific scoring metrics. A specific allocation for public housing redevelopment would ensure that Indiana’s aging public housing stock can be modernized, sustained, and repositioned to better serve extremely low-income households while maintaining a balanced approach to both new and existing affordable housing needs.
2. **Unused Credit Waitlist – All Applications.** We recommend that IHCDQ continue to create a waitlist of projects with a sponsor who has historically demonstrated a strong track record of successful and timely closings following an allocation of tax credits from IHCDQ. This waitlist would allow IHCDQ to allocate any returned, unused, or additional tax credits to projects that are ready to proceed but were not initially selected due to limited

resources. Prioritizing projects with proven execution capabilities ensures that tax credits are efficiently utilized, preventing delays in affordable housing production.

3. **Leveraging points – All Applications.** The following items should count toward the leveraging points.

a. Seller Note land and building acquisition.

- i. For repositioning projects, our PHA partners currently own the land and building(s) of proposed projects, managed as public housing. To satisfy HUD's requirements to release its Declaration of Trust on the project, it favors the housing authority retaining ownership of the land and transferring it to the new owner of the LIHTC financed development with a Ground Lease. The Ground Lease has within its terms requirements that the property be used by the lessee for affordable housing for the term of the lease. The terms of the leases are typically 99 years at \$1/year. Therefore, the substance of the financial transaction of the transfer of the leasehold interest in the land and buildings to the new owner is a \$99 payment capitalized at closing. This is clearly a donation to the owner for which the application should recognize as leverage of a government asset. Because this below market transaction of the ground lease would be seen as an "income event" to the new owner, the owner provides the housing authority with a "Seller Note" for the value of the donation to counteract any income tax consequences to the new owner. This Seller Note from the new owner to the housing authority carries a term beyond the length of the LIHTC compliance period, and does not result in the new owner paying any principal or interest during the time of the tax credit compliance. Since the Seller Note is with housing authority, who will have a right of first refusal and a purchase option to purchase the property after the compliance period, the Seller Note will be extinguished through merger once the housing authority owns the property and the Seller Note, as a lender and borrower cannot be the same party and have the debt stand. Alternatively, the Seller Note can be assumed by the housing authority's nonprofit and continue the nonpayment on this debt. Regardless of the approach taken after the compliance is completed, there is no true economic substance to the Seller Note beyond a work around the tax consequences of the donation ground lease. Therefore, the true substance is a donation that deserves recognition as leverage on the project.

b. Capitalized Rent Differential – Project Based Vouchers

- i. A project's capitalized rent differential should be recognized as leveraging on its tax credit application, a standard practice in some other states that helps recognize a project's financial feasibility while ensuring deeper affordability. The difference between the maximum LIHTC rent and the subsidy from project-based vouchers, over the course of the LIHTC

compliance period, supports the financial feasibility of the project. A larger differential will allow for the project to support a larger permanent loan and support higher operating expenses. Thus, the team will produce and maintain a higher quality product, while ensuring that the project can remain affordable throughout the compliance period and beyond. The amount leveraged should be equal to either the additional supportable permanent first mortgage or the additional revenue generated over the 15-year period. Recognizing this as leveraging encourages developers to seek secure, long-term subsidies while rewarding PHAs for providing their projects with PBVs.

c. **Real Estate Tax Abatement**

- i. Attached is a letter from our Indiana Tax Attorney, Michael Red, explaining that PHA-owned properties are legally tax-exempt in Indiana, and therefore we qualify for a full tax exemption as of right. Brinshore has been successful in getting this exemption in Gary and Bloomington, but cannot get it on properties until closing, when the leasehold interest is transferred to the Limited Partnership with the housing authority's nonprofit in ownership of the General Partner with the PHA continuing to own the land. We would like to use this letter as a legal precedent and example of what we will submit for exemption, and the fact that Brinshore has successfully gotten this exemption elsewhere to get leveraging points for the value of this exemption over the 15-year period.

4. **Uniqueness points – All 4% Applications.**

- a. As with the 9% Competitive Applications, the 4% Competitive and AWHTC application should recognize projects that incorporate innovative design, creative financing, or distinctive community partnerships. This would encourage developments that go beyond standard approaches, such as unique building techniques, serving high-risk populations with targeted services, or addressing unique local housing needs. Aligning this with the 4% Competitive and AWHTC applications would ensure consistency in evaluating project quality.

5. **Income Targeting points – All 4% Applications.**

- a. As with the 9% Competitive Applications, the 4% Applications should include the income targeting scoring section to incentivize deeper affordability. This would reward projects that set aside units for extremely low-income households, utilize rental subsidies, or prioritize housing for vulnerable populations. By incorporating this criterion, IHCD can further its commitment to ensuring affordable housing reaches those most in need.

6. **Increasing the cap - 9% Competitive Applications.**

- a. The \$1.2M project cap on the 9% Tax Credit is insufficient to build new construction projects larger than approximately 29 units. This is not in line with other states that have higher caps. To name a few: California and Utah have caps at \$2.5M; Alabama is \$2M; Tennessee is \$1.8M; Illinois and Pennsylvania are \$1.5M; and Wisconsin is \$1.4M. In our experience in Indiana, we believe the cap



should be \$2M in order to allow for projects that are 50+ units. Here is how we arrive that calculation:

i. Current Limit of \$1.2M

Uses	Amount	Notes
Hard Construction	\$310,000 / unit	BABA, Prevailing Wage, and increased materials costs
Other Construction	\$400,000	P&P Bonds, Demolition, Site Work, etc.
Soft Costs	\$1,300,000	Insurance, Legal, Accounting, Due Diligence, etc.
Financing Costs	\$1,000,000	Reservation, Origination, Construction Period Interest, etc.
Reserves	\$4,000 / unit	Operating and Debt Service Reserves, Service Reserves, etc.
Realized Developer Fee	\$1,000,000	Approximately
Acquisition	\$350,000	If required, varies by location
<b>TOTAL</b>	<b>\$3,050,000+\$314,000*Units</b>	

Sources	Amount	Notes
Tax Credit Equity	\$10,200,000	Assuming \$0.85 TC purchase price with a \$1.2M annual allocation
Private First Mortgage	\$30,000 / unit	Possibly less depending on market and availability of project-based vouchers
Soft Funding	\$1,000,000	Development Fund, NHTF, HOME, etc.
<b>TOTAL</b>	<b>\$11,500,000+\$30,000*Units</b>	

Therefore the total number of units is:

$$\begin{array}{rcl}
 \$11,200,000 + \$30,000 * \text{Units} & = & \$3,050,000 + \$314,000 * \text{Units} \\
 \text{Units} & = & \mathbf{28.70}
 \end{array}$$

ii. Increased Limit of \$2M

If we rework the above formula to solve for a 50 unit project, we can solve for Tax Credit Equity (TCE) as follows:

$$\begin{array}{rcl}
 \text{TCE} + \$1,000,000 + \$30,000 * 50 & = & \$3,050,000 + \$314,000 * 50 \\
 \text{TCE} & = & \$16,250,000
 \end{array}$$



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In order to generate that much equity at a purchase price of \$0.85, the tax credit cap would need to be approximately **\$1.91M**. Therefore, we suggest a cap of \$2M.

These policy changes would be instrumental in enabling Brinshore and our PHA partners to deliver high-quality, long-term affordable housing to Indiana communities. We are proud to work in partnership with you at IHCD. We appreciate your commitment to preserving affordable housing and supporting innovative solutions. The State's commitment to improving its affordable housing landscape aligns with our mission, and we have greatly appreciated the opportunity to submit comments on the 2026-2027 IHCD QAP. We remain dedicated to contributing to the State's housing goals and continuing our work in Indiana to create lasting, positive impacts for the communities we serve.

Kind regards,

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Karly Brinla, Senior VP Development Manager  
Brinshore Development, L.L.C.

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Peter Levavi, Executive VP Development Manager  
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