



February 04, 2025

Alan J. Rakowski  
Director of Real Estate Allocation  
Indiana Housing and Community Development Authority  
30 South Meridian Street  
Suite 900  
Indianapolis IN - 46204

Dear Alan,

We appreciate the opportunity to provide feedback for the draft 2026-27 Indiana Housing and Community Development Authority (IHCDA) Qualified Allocation Plan (QAP). Lincoln Avenue Communities is a mission-driven affordable housing developer currently active in twenty-eight states. In Indiana we are currently focused on affordable housing development and preservation utilizing 4% LIHTCs and tax-exempt bonds (TEBs) as well as new construction communities utilizing 9% LIHTCs.

#### [Private Activity Tax-Exempt Bond Financing](#)

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We appreciate that IHCDA will once again allow applications for 4% RHTC and tax-exempt bonds without AWHTC on a first-come, first-served rolling basis (while volume cap is available). This will facilitate the development of financially viable projects that do not require AWHTCs. We hope IHCDA will set-aside at least \$100 million (and ideally more) of its available Multifamily PABs for this purpose.

#### [Multiple Applications Prior to 8609 Issuance](#)

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We appreciate that developer experience and capacity is an important consideration in allocating scarce resources. We appreciate that IHCDA allows “new to Indiana” developers the ability to be awarded two developments in the state before having received a form 8609 in Indiana. However, we urge IHCDA to consider modifying the language to allow for a third RHTC application *if* the previous two submitted applications have completed their financial closings *and* are actively under construction. We feel this is appropriate for development teams that have a demonstrated capacity and successful history of managing multiple live LIHTC construction projects in other states, as documented in their IHCDA submitted resume and for example, have received 10 or more 8609's across the country with a record of accomplishment of success. Additional consideration should also be provided if the development executives managing the applications are different. This would further speak to the respective team's ability to manage multiple projects concurrently. If desired, IHCDA could allow for this on a discretionary/waiver basis.

## Readiness to Proceed

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We support the proposed new threshold requirement that 15% or more of the non-IHCDA sources be conditionally committed. This will ensure more applications will be “shovel-ready”.

## Rehabilitation Costs / Capital Needs Assessment

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We support the increase of the minimum rehabilitation hard cost threshold from \$25k to \$35k for projects outside the preservation set-aside; however, we urge IHCDA to reconsider its proposed increase to the rehab threshold for projects funded in the preservation set-aside.

We believe IHCDA’s policy objective with these proposed changes is to ensure that sufficient rehabilitation scope of work is undertaken to maintain a project up to reasonable standards during the 15-year compliance period. We concur that this is an important policy priority; however, we suggest that IHCDA revise its draft QAP, which we believe will achieve this policy goal while accommodating flexible circumstances.

We observe that setting the minimum rehabilitation threshold at \$50,000 will severely limit debt financing options for projects financed with tax exempt bonds. The increase in the minimum rehabilitation threshold to \$50k per door exceeds the threshold FHA sets for the 223(f) loan program. As IHCDA is aware, one of the most common tax-exempt bond preservation structures utilized today is the short-term cash-collateralized bond structure. In this structure, the tax-exempt bonds serve as a construction loan and are taken out with a taxable FHA 223(f) loan as the permanent loan. FHA 223(f) loans have several desirable qualities for preservation transactions including low-interest rates, 35-year amortization and, unlikely the FHA 221(d)4 program, does not trigger Davis-Bacon wage scales.

Unfortunately, FHA’s 223(f) per unit loan limits are often below the \$50,000 rehab threshold. Even accounting for tax credit equity, if IHCDA were to enact this change it would effectively eliminate the ability for tax credit developers to utilize this preferential financing because acquisition costs for a typical Year 15 and/or Section 8 community in today’s market place range between \$70,000 and \$150,000 per unit.

The proposed minimum rehabilitation threshold also eliminates the ability of developers to utilize this structure in order to qualify for acquisition credits on a project that has a broken 10-year hold, which makes the resyndication of these communities infeasible and makes it much more likely that the affordability of these communities will not be preserved past the existing extended use period.

Furthermore, while many properties require significant rehabilitation scope of work, others that have been maintained well may require significantly less than \$50,000 per door of rehab scope of work. We do not believe it is a responsible use of scarce financing resources to ‘over-scope’

rehab if the Capital Needs Assessment (CNA) confirms that a lesser scope of work is appropriate.

Additionally, we observe that well maintained properties in desirable markets where there is significant rent advantage between subsidized units and comparable market units are most at risk to be lost from the program and will also command the highest acquisition prices. Setting the rehabilitation threshold too high for these assets will make them unfinanceable as affordable assets and will increase the likelihood that they will be sold to conventional buyers or converted either via the qualified contract process or at the end of a project's extended-use period. This is a highly undesirable outcome that should be avoided at all costs.

We recommend lowering the rehabilitation threshold for projects in the Preservation set-aside from \$50,000 a door to the greater of \$35,000 a door or the scope of work specified in the Capital Needs Assessment.

### Vacancy Rate

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We believe that the vacancy guidelines in the draft QAP are more conservative than warranted in today's rental market. In most states where we operate affordable rental housing it is common for the HFA to underwrite a 5% vacancy rate for standard general occupancy and age-restricted properties and 3% for projects with project-based rental assistance (subject to validation by the market study). Allowing a lower vacancy rate at underwriting will help generate additional debt leverage, reducing the need to leverage additional state resources.

### Filling Gaps Through Eligible Basis Maximization Strategies

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Factoring in today's unprecedented inflationary and construction cost environment as well as the highly competitive market conditions for the acquisition of preservation assets and developable land, we recommend IHCD consider an additional enhancement to its developer fee methodology for projects financed with 4% LIHTCs and tax-exempt bonds. Our proposals are intended to help developers generate additional eligible basis (and tax credit equity proceeds) to offset declining debt proceeds brought on by rising interest rates and inflationary operating costs. We believe they will also stretch the state's limited state tax credits further.

Unlike 9% LIHTC transactions which are capped by the annual LIHTC ceiling, LIHTCs in 4% TEB transactions are only capped by eligible basis and private activity bond cap. We recommend IHCD adopt a flat 18-20 percentage developer fee on eligible basis (excluding reserves and developer fees) for projects financed with 4% LIHTCs and TEBs. The incremental increase in eligible basis created by this change will drive additional LIHTC equity into bond transactions and fill project gaps. It will also reduce the need for projects to leverage AWHTC. For context, the following states all have bifurcated developer fees that allow for higher developer fees for

bond deals: Tennessee (25%), Kentucky (20%), North Dakota (20%), Oklahoma (20%), Ohio (20%), Wisconsin (20%), Arizona (19%), Florida (18%) and Iowa (18%). We support current policy that developer fee above \$2,500,000 must be deferred and paid out of cashflow.

### Recycling Private Activity Bond Volume Cap

Although it is not a QAP item per se, we encourage IHCD to consider setting up a multifamily private activity bond recycling program as soon as possible. We are hopeful that Congress will enact legislation to reduce the 50% aggregate bond test to 30% in the current legislative session. This will allow HFAs like IHCD to conserve PAB volume cap as demand for affordable housing increases. On a traditional 4% TEB transaction, as the capital stack is structured to be scaled to the current 50% test and increasing amount of the debt proceeds are replaced with taxable debt. In normal yield-curve environments taxable debt carries a higher interest rate, reducing the amount of debt proceeds available to finance affordable housing.

Establishing a multifamily residential rental housing bond recycling program benefits multiple stakeholders including:

- The borrower, who benefits with lower interest rates and increased proceeds.
- The state HFA, which benefits from larger issuances and increased fees associated with large transactions.
- And most importantly, low-income individuals and families will benefit from increased affordable housing production.

With the creation of the AWHTC, Indiana's PAB cap has become a scarce commodity.

Establishing a bond recycling program today positions IHCD for future. The 2008 Housing and Economic Recovery Act (HERA)<sup>1</sup> which authorizes the reuse or "recycling" of multifamily private activity bond volume cap to finance new affordable multifamily rental housing projects under certain conditions. Such "recycled" bond volume does not entitle the new project to which it is allocated to qualify for 4% low-income housing tax credits; however, as stated above it produces a much lower borrowing rate in many transactions, enhanced feasibility. There are several due diligence steps an HFA must evaluate before enacting a recycling program – the most important being whether the issuer has issued a sufficient volume of tax-exempt bond in previous years that there are sufficient projected pay downs or pay offs that volume that can be recycled and justify the costs of setting up a program. Based on our analysis of IHCD multifamily bond issuances over the past several years, we believe it is sufficient and warranted.

There are several HFAs around the country that have effectively implemented bond recycling programs to significant effect including Colorado, Minnesota, Washington, California, and Massachusetts should IHCD be interested in seeing successful implementations. We would be happy to share additional technical resources as well if IHCD is interested in learning more.

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<sup>1</sup> Section 146(i)(6) of the Internal Revenue Code

## Conclusion

Lincoln Avenue Communities appreciates the opportunity to work with IHCD as it works on its upcoming QAP. We welcome the opportunity to discuss them with you further at your leisure and/or answer any questions you may have regarding our feedback. I can be reached at 646.585.5526 or [tamdur@lincolnavenue.com](mailto:tamdur@lincolnavenue.com).

Regards,

A handwritten signature in black ink, appearing to read 'Thom Amdur', with a stylized, flowing script.

Thom Amdur

Senior Vice President, Policy & Impact

Cc: Jacob Sipe  
Matt Rayburn  
Jerri Bain  
Wes McLean  
Kevin McDonnell  
James Riley

## About Lincoln Avenue Communities

Lincoln Avenue Communities is one of the nation's fastest-growing developers, investors, and operators of affordable and workforce housing, providing high-quality, sustainable homes for lower- and moderate-income individuals, seniors, and families nationwide. LAC is a mission-driven organization that serves residents across 28 states, with a portfolio of 150 apartment communities comprising 28,000+ homes.