

# CHDO Predevelopment Fund Application Policy September 2016

## **SUMMARY**

This policy describes the manner in which IHEDA will evaluate applications to the Community Housing Development Organization (CHDO) Predevelopment Fund.

The CHDO Predevelopment Fund is intended to ensure Community Housing Development Organizations (CHDOs) have access to project-specific assistance on eligible pre-development expenditures. HOME Investment Partnerships Program Grant funds may be used to provide two types of predevelopment loans; (1) CHDOs Site-Control Loans (Site Control Loans) and (2) Project-Specific Seed Money Loans (Seed Money Loans) as set forth in 24 CFR 92.301.

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## Available Online

[HOME Investment Partnership Program Webpage](#)

[Community Housing Development Organization Webpage](#)



**Part 1: Application Process**

**1.1 Overview**

The CHDO Predevelopment Fund is intended to ensure Community Housing Development Organizations (CHDOs) have access to project-specific assistance on eligible pre-development expenditures. HOME Investment Partnerships Program Grant funds may be used to provide two types of predevelopment loans; (1)CHDOs Site-Control Loans (Site Control Loans) and (2) Project-Specific Seed Money Loans (Seed Money Loans) as set forth in 24 CFR 92.301.

All requests and uses of either the Site Control Loan, or Seed Money Loan must be related to a specific project which, if deemed feasible, could receive Home Investment Partnerships Program (HOME) funds for development. An overview of both loan types may be found in the table below.

	Site Control Loan	Seed Money Loan
<b>Objective</b>	Covers project costs necessary to determine project feasibility and gain site control	Covers pre-construction costs for a specific project
<b>General Requirements and Restrictions</b>	Loan used prior to site-control.	CHDO must have site control, preliminary financial commitments, and a capable development team.
<b>Eligible Uses</b>	<ul style="list-style-type: none"> <li>• Initial feasibility study;</li> <li>• Consulting fees;</li> <li>• Cost of preliminary financial application;</li> <li>• Fees: architects, legal, engineers, development team;</li> <li>• Site control expenses; and,</li> <li>• Title clearance costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of construction loan commitments;</li> <li>• Architectural plans and specifications;</li> <li>• Costs of zoning approvals;</li> <li>• Costs of engineering studies; and,</li> <li>• Legal fees.</li> </ul>
<b>Loan Terms</b>	Maximum Request: \$30,000 Interest Rate: 0% Expended Terms: 12 months <b>Repayment Term: 24 months</b>	
<b>Repayment</b>	Repaid from construction loan or other project income*	
<b>Environmental Review</b>	Predevelopment loans are still subject to Environmental Review. Project may be exempt or categorically excluded not subject to 58.5.	

\* At the discretion of IHCDA, the loan repayment may be waived, in whole, or in part if there are impediments to project development which IHCDA determines are reasonably beyond the control of the CHDO.





## **1.2 CHDO Predevelopment Fund Forms and Policy Discrepancies**

In the event of a conflict, or inconsistency between the CHDO Predevelopment Fund Policy and the CHDO Predevelopment Fund Application and/or Appendices, the procedures described in the CHDO Predevelopment Fund Policy will prevail.

## **1.3 Eligible Applicants**

The applicant must be an IHCDCA-certified CHDO proposing a CHDO eligible activity within the geographic area for which it is certified (outside the boundaries of a participating jurisdiction). The applicant must be certified as a CHDO at the time of application for the CHDO Predevelopment Fund is submitted.

## **1.4 Ineligible Applicants**

IHCDCA reserves the right to disqualify from funding any application that has an applicant, sub-recipient, administrator, preparer, or related party of any of the aforementioned, with a history of disregarding the policies, procedures, or staff directives associated with administering any IHCDCA program or program administered by any other State, Federal, or affordable housing entity. This includes, but is not limited to, the Indiana Office of Community and Rural Affairs, the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Agriculture - Rural Development, and the Federal Home Loan Bank.

Additionally, any entity currently on IHCDCA's suspension or debarment list is ineligible to submit an application. IHCDCA's Suspension and Debarment Policy can be found in the Program Manual Chapter 17.

## **1.5 Religious and Faith-Based Organizations**

(1) A faith-based organization that applies for, or participates in, a HUD program or activity supported with Federal financial assistance retains its independence and may continue to carry out its mission, including the definition, development, practice, and expression of its religious beliefs, provided that it does not use direct Federal financial assistance that it receives (*e.g.*, via contract, grant, sub-grant, sub-award or cooperative agreement) to support or engage in any explicitly religious activities (including activities that involve overt religious content such as worship, religious instruction, or proselytization), or in any other manner prohibited by law.

(2) A faith-based organization that receives direct Federal financial assistance may use space (including a sanctuary, chapel, prayer hall, or other space) in its facilities (including a temple, synagogue, church, mosque, or other place of worship) to carry out activities under a HUD program without removing religious art, icons, scriptures, or other religious symbols. In addition, a faith-based organization participating in a HUD program or activity retains its authority over its internal governance, and may retain religious terms in its organization's name, select its board members on a religious basis, and include religious references in its organization's mission statements and other governing documents.

(e) *Explicitly religious activities.* If an organization engages in explicitly religious activities (including activities that involve overt religious content such as worship, religious instruction, or proselytization), the explicitly religious activities must be offered separately, in time or location, from the programs or





activities supported by direct Federal financial assistance and participation must be voluntary for the beneficiaries of the programs or activities that receive direct Federal financial assistance.

(f) *Intermediary responsibilities to ensure equal participation of faith-based organizations in HUD programs.* If an intermediary—acting under a contract, grant, or other agreement with the Federal Government or with a State, tribal or local government that is administering a program supported by Federal financial assistance—is given the authority to select a nongovernmental organization to receive Federal financial assistance under a contract, grant, sub-grant, sub-award, or cooperative agreement, the intermediary must ensure that such organization complies with the requirements of this section. If the intermediary is a nongovernmental organization, it retains all other rights of a nongovernmental organization under the program's statutory and regulatory provisions.

(g) *Beneficiary protections.* Faith-based organizations that carry out programs or activities with direct Federal financial assistance from HUD must give written notice to beneficiaries and prospective beneficiaries of the programs or activities describing certain protections available to them, as provided in this subsection. In addition, if a beneficiary or prospective beneficiary objects to the religious character of the organization carrying out the programs or activities, that organization must promptly undertake reasonable efforts to identify and refer the beneficiary or prospective beneficiary to an alternative provider to which the beneficiary or prospective beneficiary has no such objection.

(1) *Written notice.* The written notice must state that:

(i) The organization may not discriminate against a beneficiary or prospective beneficiary on the basis of religion, religious belief, a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice;

(ii) The organization may not require beneficiaries to attend or participate in any explicitly religious activities that are offered by the organization, and any participation by beneficiaries in such activities must be purely voluntary;

(iii) The organization must separate, in time or location, any privately funded explicitly religious activities from activities supported by direct Federal financial assistance;

(iv) If a beneficiary objects to the religious character of the organization, the organization must undertake reasonable efforts to identify and refer the beneficiary to an alternative provider to which the beneficiary has no such objection; and

(v) Beneficiaries or prospective beneficiaries may report an organization's violation of these protections, including any denial of services or benefits by an organization, by contacting or filing a written complaint to HUD or the intermediary, if applicable.

(2) *Timing of notice.* The written notice must be given to prospective beneficiaries before they enroll in any HUD program or activity. When the nature of the program or activity or exigent circumstances make it impracticable to provide the written notice in advance, the organization must provide written notice to beneficiaries of their protections at the earliest available opportunity.

(3) *Referral requirements.* (i) If a beneficiary or prospective beneficiary of a program or activity that receives direct Federal financial assistance from HUD objects to the religious character of an organization that carries out the program or activity, that organization must promptly undertake





reasonable efforts to identify and refer the beneficiary or prospective beneficiary to an alternative provider to which the beneficiary or prospective beneficiary has no such objection.

### **1.6 Budget Limitations**

The maximum loan amount is \$30,000 in Site-Control Loan, Seed Money Loan, or combination of both, for any one development. This limitation applies to either a combined application or separate applications.

### **1.7 Funding Round Timeline**

Applications are accepted on a rolling basis until the funds are expended.

### **1.8 Project Funding**

An award from the CHDO Predevelopment Fund does not guarantee the project will receive a HOME construction award.

### **1.9 Project Summary**

Project summary details such as scope, units, etc. may change as a result of findings from the Site Control or Seed Money loans.

### **1.10 Technical Assistance**

The applicant may, but is not required, to schedule a technical assistance meeting with its regional Real Estate Production Analyst to discuss both the proposed project and IHCDA's application process. Technical assistance may be required at IHCDA's discretion if the applicant does not have experience with IHCDA awards or if its past performance was poor. Applicant is urged to contact its Real Estate Production Analyst early in the planning process to obtain guidance and technical assistance.

### **1.11 Application Submission**

The applicant must submit the following items both via FTP and hard copy to its Real Estate Production Analyst:

- Via FTP:
  - One completed copy of the final application form
  - All supporting documents required in the tabs. Please submit this information as separate, labeled PDF documents under the required labeled tabs. Do not send one PDF containing all of the supporting documentation.
- Via hard copy:
  - One completed copy of the final application forms with original signatures





All applicants must retain a copy of its application package. Applicants that receive funding will be bound by the information contained herein.

IHCDA will send an email to the applicant contact within one week of IHCDA's receipt of its application to confirm that the application was received.

### **1.12 CDBG & HOME Award Compliance Manual**

The CDBG & HOME Award Compliance Manual outlines the requirements for administering IHCDA's HOME awards. In addition, recipients of funding for rental projects should refer to the *Federal Programs Ongoing Rental Compliance Manual* for information about compliance requirements during the affordability period of the project. Complete copies of both Compliance Manuals are available on IHCDA's [HOME program webpage](#).





## Part 2: Eligible Costs and HOME Predevelopment Loan Program Provisions

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### 2.1 Site Control Loan Eligible Costs

All costs must be related to a specific HOME-eligible project or projects (see Part 3 for list of eligible HOME projects). Applicant must identify the specific predevelopment costs in its application for CHDO Predevelopment Funding.

A Site Control loan may be used to cover specific predevelopment costs. These costs include

- Initial feasibility study;
- Consulting fees;
- Costs of preliminary financial applications (DOES NOT INCLUDE IHCD HOME applications);
- Legal Fees;
- Architectural fees;
- Engineering fees;
- Engagement of a development team;
- Option to acquire property;
- Site control; and,
- Title clearance.

Project pre-development costs may not exceed customary and reasonable project preparation costs.

### 2.2 Site Control Loan Provisions

Site Control loans are intended to cover the costs related to determining preliminary feasibility and obtaining site control of a specific HOME eligible project. The maximum loan amount is \$30,000 for any one development.

Loans made under this program may be forgiven if there are impediments to the development that IHCD determines are reasonably beyond the control of the borrower. If the development goes forward without the use of HOME funds, it will still be subject to the HOME requirements.

The CHDO should request project pre-development assistance only where there is a reasonable expectation that the project will prove feasible

### 2.3 Seed Money Loan Eligible Costs

All costs must be related to a specific eligible HOME project or projects (see Part 3 for list of eligible HOME projects). Applicant must identify the specific predevelopment costs with its application for the CHDO Predevelopment Funding.

A Seed Money Loan may be used to cover specific predevelopment costs:





- Costs of obtaining firm construction loan commitments;
- Architectural plans and specifications;
- Zoning Approvals;
- Engineering Studies; and,
- Legal Fees.

#### **2.4 Seed Money Loan Provisions**

Seed Money loans are intended to cover preconstruction project costs that IHCD determines to be customary and reasonable. The maximum loan amount is \$30,000 for any one development. Project pre-development costs may not exceed customary and reasonable project preparation costs.

Applicant must provide evidence of the following with application:

- That the proposed development is financially feasible;
- There is a market need for the proposed development;
- Site control has been secured (as evidenced by a deed, a sales contract, or an option contract to acquire the property);
- Receipt of a preliminary letter of commitment for either construction financing or a permanent mortgage from a private lender, if such financing will be required on the development; and
- Demonstrated the capacity of the CHDO's staff to implement the proposed development.
- An environmental review release of funds process has been completed and the environmental review record has been submitted to its IHCD Real Estate Production Analyst.

Loans made under this program may be forgiven if there are impediments to the development that IHCD determines are reasonably beyond the control of the borrower. If the development goes forward without the use of HOME funds, it will still be subject to the HOME requirements.

The CHDO should request project pre-development assistance only where there is a reasonable expectation that the project will prove feasible.

#### **2.5 Match Requirement**

The use of Predevelopment Funds triggers the match requirements of the HOME program. However, match liability incurred for funds expended for project-specific predevelopment funding is forgiven if the project does not proceed. No match is required at the time of the Predevelopment Funding application.

#### **2.6 Ineligible Activity Costs for Predevelopment Fund Loans (Site Control and Seed Money Loans)**

The following are ineligible costs under the CHDO Predevelopment Fund:

- Costs associated with preparing applications for IHCD;
- Construction hard costs; and
- General operating expenses of the organization.





## Part 3: Eligible CHDO Activities

### 3.1 Eligible Project Activities

The CHDO Predevelopment Fund is intended to ensure CHDOs have project-specific assistance on eligible predevelopment expenditures. This Fund will enable a CHDO to determine the financial feasibility or assist with pre-construction costs of an IHCD HOME CHDO-eligible activity. An IHCD HOME CHDO-eligible activity includes:

- Rehabilitation, new construction, and acquisition/rehabilitation or acquisition/new construction of rental housing in the form of traditional apartments, single room occupancy units (SROs), or single family housing.
  - SRO housing consists of single room dwelling units that are the primary residence of the occupant(s). Neither kitchen nor bathroom facilities are required to be in each unit. However, if individual units do not contain bathroom facilities, the building must contain bathroom facilities that are shared by tenants. SRO housing does not include facilities for students.
- Rental Housing Tax Credit (RHTC) Developments with compliance periods or existing HOME developments with affordability periods that have expired prior to the due date for this application.
- Manufactured homes are eligible if they meet IHCD's Manufactured Housing Policy or if rehabilitation will bring the unit up to these standards:
  - A single dwelling unit designed and built in a factory, installed as a permanent residence, which bears a seal certifying that it was built in compliance with the Federal Manufactured Housing Construction and Safety Standards law and which also complies with the following specifications:
    - Shall have been constructed after January 1, 1981, and must exceed 950 square feet of occupied space per I.C. 36-7-4-1106 (d);
    - Is attached to a permanent foundation of masonry construction and has a permanent perimeter enclosure constructed in accordance with the One and Two Family Dwelling Code;
    - Has wheels, axles, and towing chassis removed;
    - Has a pitched roof;
    - Consists of two or more sections which, when joined, have a minimum dimension of 20' X 47.5' enclosing occupied space; and
    - Is located on land held by the beneficiary in fee-simple title or 99-year leasehold and is the principal residence of the beneficiary.
    - All other manufactured or mobile homes that do not meet the aforementioned criteria are ineligible to receive rehabilitation assistance funded by IHCD.





### **3.2 Ineligible Activities**

The following are ineligible activities:

- Per 24 CFR 92.214 (a)(4) HOME funds may not be invested in public housing projects.
- Performing owner-occupied rehabilitation;
- Group homes;
- Creation of secondary housing attached to a primary unit;
- Acquisition, rehabilitation, or construction of nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, or student dormitories;
- Rehabilitation of mobile homes;
- Acquisition, rehabilitation, refinancing, or new construction if any part of a development or its land is located within the boundaries of a 100-year floodplain. A flood determination must be provided for each parcel associated with the project;
- Acquisition, rehabilitation, or construction of any developments that will be applying for RHTC. These developments must apply for HOME funds as part of the RHTC application (also called the Qualified Allocation Plan);
- Any housing activity funded under Title VI of NAHA, prepayment of mortgages insured under the National Housing Act, public housing developments, or acquisition, rehabilitation, or construction of any developments funded under HUD's former Rental Rehabilitation Program;
- Costs for supportive services, homeless prevention activities, operating expenses, or for the use of commercial facilities for transient housing;
- Acquisition, rehabilitation, or construction of transitional housing or emergency shelters that are designed to provide temporary daytime and/or overnight accommodations for homeless persons;
- Payment of HOME loan servicing fees or loan origination costs;
- Tenant-based rental assistance;
- Payment of back taxes.

In addition, IHCD **does not** fund:

- Requests from individuals, political, social, or fraternal organizations;
- Endowments, special events, arts, or international projects;
- Scholarships requested by individuals;
- Institutions that discriminate on the basis of race, color, national origin, sex, religion, familial status, disability, sexual orientation, gender identity, or against victims of domestic violence, dating violence, sexual assault, or stalking in policy or in practice;
- Projects in furtherance of sectarian religious activities, impermissible lobbying, legislative or political activities;
- Medical research or medical profit-making enterprises.

### **3.3 Conflict of Interest**

No owner, developer, or sponsor of a project assisted with HOME funds (or officer, employee, agent, elected or appointed official, or consultant of the owner, developer, or sponsor or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, or consultant of the owner, developer, or sponsor) whether private, for-profit or nonprofit (including a community housing development organization (CHDO) when acting as an owner, developer, or sponsor) may occupy a HOME-assisted affordable housing unit in a project during the required period of





affordability specified in §92.252(e) or §92.254(a)(4). This provision does not apply to an individual who receives HOME funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.





**Part 4: Glossary of Terms**

Below are definitions for commonly used terminology found throughout the IHCDA HOME application policy and forms and applicable to the IHCDA HOME program.

*Administrator:* A procured entity that will assist carrying out the HOME award.

*Beneficiary:* The household or unit that received homeowner repair work as a result of the HOME award.

*CHDO:* A Community Housing Development Organization. A non-profit, community-based organization with the capacity to develop affordable housing for the community it serves, as defined in the HOME rule and as certified by IHCDA. Participating Jurisdictions (IHCDA) must set aside a minimum of 15% of their HOME allocations for activities in which CHDOs are the owners, developers, and/or sponsors of the housing.

*Development:* The HOME activity proposed in the application.

*Disabled:* The Fair Housing Act defines disability as a person who has/is:

- A physical or mental impairment which substantially limits one or more of such person’s major life activities; or
- A record of having such an impairment; or
- Is regarded as having such an impairment, but such term does not include current, illegal use of or addiction to a controlled substance (as defined in section 102 of the Controlled Substances Act).

*Elderly:* Elderly can have one of two definitions as elected by the applicant:

- A person 55 years of age or older. This target population category also includes families with a person living in their home that is 55 years of age or older. For housing using this definition of elderly, at least 80% of the units must be age restricted; OR
- A person 62 years of age or older. This target population only includes households in which all household members are 62 years of age or older. For housing using this definition of elderly, 100% of the units must be age restricted.

*HOME:* The Home Investment Partnerships Program as created by the National Affordable Housing Act of 1990.

*IHCDA:* Indiana Housing and Community Development Authority

*Income Limits:* Maximum incomes as published by HUD for projects giving the maximum income limits per unit for beneficiary (30%, 40%, 50%, 60% and 80% of median) units.

*Median Income:* A determination made through statistical methods establishing a middle point for determining income limits. Median is the amount that divides the distribution into two equal groups, one group having income above the median and one group having income below the median.





*Narrative:* A written description by the applicant that describes the application question and generally supports the need of the project.

*Rent Limits:* The HUD published maximum rent amount, including a utility allowance and any non-optional fees. Rent limits are published by bedroom size and by AMI level.

*Seed Money Loan:* Seed Money loans are intended to cover preconstruction project costs that IHCD determines to be customary and reasonable.

*Site Control Loan:* Site Control loans are intended to cover the costs related to determining preliminary feasibility and obtaining site control of a specific HOME eligible project.

