



To: HOME Program Partners

Notice: **RED-21-47**

From: Real Estate Department

Date: October 14, 2021

Re: **Gap Funding for HOME Rental Developments Due to Cost Increases-
DRAFT POLICY**

IHCDA is aware that cost increases are impacting the financial feasibility of HOME funded rental housing developments. In order to respond to these cost increases in a manner that serves our developer partners, IHCDA has issued the following draft policy.

Note: Developments funded with Low Income Housing Tax Credits are not eligible to follow the policy outlined in this notice. LIHTC developments may request additional gap financing through the TCAP program, as described in [RED Notice 21-44](#).

DEVELOPMENT FUND LOANS AS GAP FINANCING

IHCDA will offer Development Fund ("DF") loans of up to \$500,000 per development to serve as gap financing. Additional DF is available even if the development has already received a DF award.

Eligible Applicants

Developments with a Fiscal Year 2018 or 2019 HOME rental award that either:

- 1) Have 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.

Ineligible Applicants

The following development types are ineligible to request additional funding through this policy:

- Applications funded in August 2021 with Fiscal Year 2020 HOME rental funds.
- Any LIHTC development.

Eligibility Requirements

- For developments that have not closed on all financing, the closing must occur within 60 days of securing a commitment of DF from IHCDA. No exceptions or extensions will be granted.



ADDRESS 30 South Meridian Street, Suite 900, Indianapolis, IN 46204
PHONE 317 232 7777 **TOLL FREE** 800 872 0371 **WEB** www.ihcda.IN.gov

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- Cost increases must be due to unforeseen occurrences that coincided with the onset of COVID-19.
- Per DF policy, IHCDCA will determine that a certain number of units are considered “DF-assisted units” based on the percentage of total development costs covered by the DF award. At least 50% of the DF-assisted units must be designated at or below 50% AMI income and rent limits.

Loan Terms

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

If the development already includes a previously awarded DF loan, the terms for that initial loan remain in effect including the applicable interest rate. The terms above apply only to the additional funding.

Submission Requirements and Instructions

Applicants must submit the following:

- Updated HOME Application Form with documentation of all sources and the DF supplemental application completed.
- 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 Peter Nelson at PNelson@ihcda.in.gov to request access to a folder. Applications will not be accepted until a final policy is released.

Application Process

Effective the date that a final policy is released via RED Notice, applications will be accepted and approved by IHCDCA on a first come, first-served basis. Once submitted to IHCDCA, IHCDCA anticipates providing a response within 30-60 days.

Applications will be accepted until the earlier of: (1) March 31, 2022 or (2) such time that all available funds have been allocated.

Questions or Public Comments

IHCDCA will accept public comments on this proposed policy for two weeks. Comments are due by 5:00 pm Eastern Time on October 28, 2021.

Please send all questions or comments in writing to Peter Nelson, IHCDCA HOME & HTF Manager, via pnelson@ihcda.in.gov.

A final policy will be released in November.