National Housing Trust Fund
Application Policy
Program Year 2024-2025

SUMMARY

This policy describes how IHCDA will allocate its Fiscal Year 2024-2025 funds under the Housing Trust Fund ("HTF") program. The Housing Trust Fund is designed to create new housing opportunities for extremely low-income households (at or below 30% of area median income). By regulation, the focus of the HTF program is rental housing. IHCDA will allocate its FY24 and FY25 HTF funds for affordable rental housing, specifically for supportive housing for persons experiencing homelessness. HTF awards will as serve as gap financing in conjunction with applications for Rental Housing Tax Credits ("RHTC") under the Qualified Allocation Plan ("QAP") Requests for HTF awards must be made as a supplemental request along with an RHTC application. Additional information about eligible activities can be found within this policy manual

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Available Online

HTF Program Webpage

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Part 1: Application Process

1.1 Overview:
Eligible Applicants applying for Low Income Housing Tax Credits (LIHTC) may simultaneously request funds from the National Housing Trust Fund (HTF) by completing the HTF Section of the "Multi-Family Housing Finance Application" and submitting all necessary HTF attachments. HTF attachments (e.g. Historic Review, Environmental Review, and/or URA) must be submitted on or before the application deadline along with the rest of the application package.

HTF funds cannot be committed to development until all necessary financing has been secured. IHCDA will not execute a HTF contract until IHCDA has issued the Release of Funds and the HTF award recipient has submitted the HTF Commitment Form to the HOME & HTF Manager.

In the event that an application is competitive for LIHTC but either (1) the application fails the HTF threshold review; or (2) HTF funds are not available to award, IHCDA will allow the applicant to submit additional information to identify other ways to fill the development's financing gap. Upon timely receipt of requested information, these applications will continue to be allowed to compete for an allocation of LIHTC.

Applicants who apply for HTF funds should be aware that additional Federal regulations and IHCDA requirements accompany this program, as set forth in 24 CFR Part 93 and IHCDA's compliance manuals, as amended from time to time. HTF compliance requirements may be more stringent or different than those for the LIHTC program. Applicants should carefully review these regulations when requesting HTF funding. IHCDA strongly encourages applicants to consult with legal and accounting advisors due to the complexity of these programs.

Applicants must register for System for Award Management (SAM) and have a valid UEI in order to apply for HTF funds. Applicants must submit proof of SAM registration with their HTF application to be eligible for funding.

1.2 HTF Application Forms and HTF Policy Discrepancies
In the event of a conflict or inconsistency between the HTF Schedule, Rental Policy and the HTF Application Form and/or Appendices, or additional documents, the procedures described in the HTF Schedule will prevail.

IHCDA in its sole discretion reserves the right to, and may from time to time, amend this Allocation Plan for any reason, including to assure compliance with applicable federal, State or local laws and regulations thereunder which may be amended and/or enacted and promulgated, to reflect changes in market conditions from time to time, and/or to terminate the program.

1.3 Application Fee
HTF recipients are required to pay the fee as outlined in the IHCDA QAP. All fees must be paid through IHCDA's Online Payment Portal, located here.

1.4 Application Review
Each application must address only one development. Reviews of applications follow the steps as outlined in the corresponding program Application Policy.

Funded applications will be announced at the published IHCDA Board Meeting date. Confirmation letters and score sheets will be uploaded to the OneDrive site by the close of business on the day of the Board Meeting. Applications that are not funded will be notified by IHCDA via denial letters and final score sheets being uploaded to the OneDrive site by the close of business on the day of the Board Meeting. Applications not funded will not be rolled over into the next funding round.

1.5 IHCDA HOME and HTF Program Manual

The IHCDA *HOME and HTF Program Manual* outlines the requirements for administering IHCDA's HOME and HTF awards.

A complete copy of the *HOME and HTF Program Manual*, including exhibits, is available on IHCDA's website here.

1.6 Environmental Review Record and Section 106 Historic Review User's Guide

The Environmental Review Record (ERR) and Section 106 Historic Review User's Guide and the ERR Workbook provide additional background information about the federally required processes including why the review is necessary, how to perform the review, and other resource information to help you complete the ERR Workbook. These documents can be found on IHCDA's website here.

Part 2: Eligible Applicants

2.1 HTF Program Eligibility

Eligibility will be determined based on:

1. Whether the development demonstrates a need for HTF to make a greater number of units affordable to extremely low and very low households;
2. Whether the development meets State and Federal requirements of all programs for which the applicant is applying, including the threshold requirements;
3. If the development ranking is sufficient for it to be awarded RHTC pursuant to the RHTC process as outlined in the QAP; and,
4. The availability of HTF funds.

2.2 Eligible Applicants

Eligible applicants must have successfully completed the Indiana Supportive Housing Institute, and may include 501(c)3 and 501(c) 4 non-profits, for-profit entities organized under the State of Indiana, Joint-Venture Partnerships and Public Housing Authorities (Public Housing Authorities are eligible to apply under the conditions set forth in 24 CFR 93.203).

The Institute provides training and technical assistance to organizations as they develop supportive housing. Development teams must complete initial drafts of tenant involvement plans, tenant selection plans, property management plans, eviction prevention plans, and supportive service plans as part of the Institute process and prior to submission of an LIHTC application under the Supportive Housing Set-aside.

Participation in the Institute is based on a competitive RFP selection process. Applicants must fulfill all requirements of the Institute for the specific development for which they are applying.
To be eligible to submit an HTF supplemental application, a proposed project must meet all threshold requirements of the QAP, including the specific threshold requirements applicable to supportive housing developments.

HTF funds will be provided in the form of a loan to the ownership entity (LP or LLC).

If a non-profit, the non-profit applicant must submit a borrowing resolution passed by its Board of Directors authorizing submission of the loan request. The applicant must use IHCDA's template borrowing resolution form.

2.3 Geographic Diversity

IHCDA will make every effort to distribute HTF funds in a geographically equitable manner. The ability to do so may be limited by the location of eligible applications and projects which receive adequate scoring to be funded.

2.4 Ineligible Applicants

IHCDA 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 IHCDA 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 IHCDA's suspension or debarment list is ineligible to apply. IHCDA's Suspension and Debarment Policy can be found in the HOME and HTF Program Manual Chapter 17.

2.5 Religious and Faith-Based Organizations

- *Equal treatment of program participants and program beneficiaries.* (1) *Program participants.* Organizations that are religious or faith-based are eligible, on the same basis as any other organization, to participate in the HTF program. Neither the Federal Government nor a State or local government receiving funds under the HTF program shall discriminate against an organization on the basis of the organization's religious character or affiliation. Recipients and subrecipients of program funds shall not, in providing program assistance, discriminate against a program participant or prospective program participant on the basis of religion or religious belief.
- *Beneficiaries.* In providing services supported in whole or in part with federal financial assistance, and in their outreach, activities related to such services, program participants shall not discriminate against current or prospective program beneficiaries on the basis of religion, a religious belief, a refusal to hold a religious belief, or a refusal to attend or participate in a religious practice.
- *Separation of explicitly religious activities.* Recipients and subrecipients of HTF program funds that engage in explicitly religious activities, including activities that involve overt religious content such as worship, religious instruction, or proselytization, must perform such activities and offer such services outside of programs that are supported with federal financial assistance separately, in time or location, from the programs or services funded under this part, and participation in any such explicitly religious activities must be voluntary for the program beneficiaries of the HUD-funded programs or services.
- *Religious identity.* A faith-based organization that is a recipient or subrecipient of HTF program funds is eligible to use such funds as provided under the regulations of this part without impairing its independence, autonomy, expression of religious beliefs, or religious character. Such organization will retain its independence from Federal, State, and local government, 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 program funds to support or engage in any explicitly religious activities, including activities that involve overt religious content, such as worship, religious instruction, or proselytization, or any manner prohibited by law. Among other things, faith-based organizations may use space in their facilities to provide program-funded services, without removing or altering religious art, icons, scriptures, or other religious symbols. In addition, a HTF program-funded religious organization retains its authority over its internal governance, and it 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.
- *Alternative provider.* If a program participant or prospective program participant of the HTF program supported by HUD objects to the religious character of an organization that provides services under the program, that organization shall, within a reasonably prompt time after the objection, undertake reasonable efforts to identify and refer the program participant to an alternative provider to which the prospective program participant has no objection. Except for

services provided by telephone, the Internet, or similar means, the referral must be to an alternate provider in reasonable geographic proximity to the organization making the referral. In making the referral, the organization shall comply with applicable privacy laws and regulations. Recipients and subrecipients shall document any objections from program participants and prospective program participants and any efforts to refer such participants to alternative providers in accordance with the requirements of §92.508(a)(2)(xiii). Recipients shall ensure that all subrecipient agreements make organizations receiving program funds aware of these requirements.

- *Structures.* Program funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for explicitly religious activities. Program funds may be used for the acquisition, construction, or rehabilitation of structures only to the extent that those structures are used for conducting eligible activities under this part. When a structure is used for both eligible and explicitly religious activities, program funds may not exceed the cost of those portions of the acquisition, new construction, or rehabilitation that are attributable to eligible activities in accordance with the cost accounting requirements applicable to the HTF program. Sanctuaries, chapels, or other rooms that a HTF program-funded religious congregation uses as its principal place of worship, however, are ineligible for HTF program-funded improvements. Disposition of real property after the term of the loan, or any change in the use of the property during the term of the loan, is subject to government wide regulations governing real property disposition (see 24 CFR parts 84 and 85).
- *Supplemental funds.* If a State or local government voluntarily contributes its own funds to supplement federally funded activities, the State or local government has the option to segregate the federal funds or commingle them. However, if the funds are commingled, this section applies to all of the commingled funds.

Part 3: Eligible Activities, Costs & HTF Program Requirements

3.1 Eligible Activities

This program is intended to have a long-term impact on the availability and quality of the affordable housing stock in Indiana. The program is intended for the rehabilitation and/or new construction of supportive housing in conjunction with RHTC Acquisition only is not an eligible activity; however, acquisition in conjunction with another activity is permitted.

Soft Costs:

Soft costs and professional fees are eligible except for those items specifically listed as ineligible as noted in this policy. Examples of eligible soft costs include:

- Operating reserves
- Relocation costs
- Architectural fees
- Engineering fees
- Consulting fees
- Environmental assessments

Acquisition:

Limited to the purchase price and related costs associated with the acquisition of real property. The cost of acquisition will be calculated based upon the lesser of the actual amount paid for the building or the appraised fair market value. Recipients must use a title company when purchasing or selling assisted properties. Acquisition costs can only be paid with HTF funds if the acquisition occurs after the execution of the HTF award agreement.

New Construction:

New Construction costs are eligible except for those items as specially listed as ineligible under Part K below. Examples of new construction eligible costs include:

- Hard costs associated with new construction activities
- Utility connections including offsite connections from the property line to the adjacent street
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard developments. Site improvements may include onsite roads and water and sewer lines necessary to the development
- Site work related to driveways, sidewalks, landscaping, etc.
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners

Rehabilitation:

Rehabilitation costs are eligible except for those items specifically listed in Part K below. Examples of rehabilitation eligible costs include:

- Hard costs associated with rehabilitation activities
- Utility connections and related infrastructure costs are eligible. Offsite connections from the property line to the adjacent street are eligible when existing infrastructure is deficient and is deemed a threat to health and safety.
- Site work related to driveways, sidewalks, landscaping, etc.

- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Lead-based paint interim controls and abatement costs
- Mold remediation

3.2 Ineligible Activities

The following are ineligible activities:

- Annual contributions for operation of public housing
- Commercial development costs **-** All costs associated with the construction or rehabilitation of space within a development that will be used for non-residential purposes such as offices or other commercial uses. This does not include the common area used by tenants or the leasing office of the apartment manager. HTF awards cannot be used to finance any portion of commercial development costs. The expenses incurred and income to be generated from the commercial space must not be included in the residential pro forma.
- Costs associated with any financial audit of the recipient
- Costs associated with preparing an application for funding through IHCDA
- Costs of supportive services
- General operating expenses or operating subsidies
- Mortgage default/delinquency correction or avoidance
- Providing tenant-based rental assistance
- Purchase or installation of equipment, furnishings, tools, or other personal property that is not an integral structural feature, such as window air conditioner units or washers and dryers
- Purchase or installation of luxury items, such as swimming pools or hot tubs

In addition, IHCDA **does <u>not</u>** 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 HTF Program Requirements

The proposed HTF project must follow these minimum requirements, and all other requirements laid forth in the Program Manual, to be eligible for funding. For further details on each requirement, please see IHCDA's HOME and HTF Program Manual here. Recipients must comply with all regulatory requirements listed in 24 CFR Parts 91 and 93.

Applicants should familiarize themselves with IHCDA's *HOME, and HTF Program Manual*. Requirements include, but are not limited to the following:

Lead-Based Paint:

- Each recipient of a HTF award is subject to the HUD requirements of addressing lead-based paint hazards pursuant to 24 CFR Part 35. If a risk assessment is required, then all lead-based paint issues must be addressed.
- Anyone who conducts lead-based paint activities in the State of Indiana must be licensed. Licenses are issued only after an Applicant has successfully completed course certification by an accredited training facility and has passed the licensing examination administered by the Indiana Department of Health ("IDOH"). A separate license is required for each of the authorized lead disciplines. All licenses must be renewed every three years by successfully completing refresher training approved by the IDOH. Anyone who is paid to perform work that disturbs paint in housing and child-occupied facilities built before 1978 must be EPA certified. This includes all firms, including sole proprietorships. Federal law requires that a "certified renovator" be assigned to each job and that all involved individuals be trained in the use of lead-safe work practices.

Uniform Relocation Act:

- Each recipient of a HTF award is subject to the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, the Federal regulations at 49 CFR Part 24, and the requirements of Section 104(d) of Title I of the Housing and Community Development Act of 1974, as amended.

Section 3:

- Any recipient receiving an aggregate amount of $200,000 or more in HUD funding in a program year must comply with the Section 3 requirements. Section 3 provides preference in employment, training, and contracting opportunities to low- and very-low-income residents of the local community and businesses that substantially employ these persons.

Insurance Requirements:

- During construction, the recipient of a HTF award will be required to provide proof of adequate builder's risk insurance, property insurance, and contractor liability insurance. During the ongoing affordability period, the recipient will be required to provide proof of property insurance.

Initial Inspection for Rehab:

- Upon receipt of an application proposing rehabilitation (regardless of number of units), IHCDA will conduct an initial inspection to verify the deficiencies that must be addressed during rehabilitation to ensure the units will meet HTF requirements at completion. This inspection will occur prior to IHCDA making a funding recommendation.

Meaningful Access for Limited English Proficient Persons

- Persons who do not speak English as their primary language and persons who have limited ability to speak, read, write, or understand English ("limited English proficient" or "LEP") may be entitled to language assistance under Title VI in order to receive a particular service, benefit, or encounter. In accordance with Title VI of the Civil Rights Act of 1964 and its implementing regulations, the recipient must agree to take reasonable steps to ensure meaningful access to activities funded by federal funds for LEP persons. Any of the following actions could constitute "reasonable steps", depending on the circumstances: acquiring translators to translate vital documents, advertisements, or notices; acquiring interpreters for face-to-face interviews with LEP persons;

placing advertisements and notices in newspapers that serve LEP persons; partnering with other organizations that serve LEP populations to provide interpretation, translation, or dissemination of information regarding the project; hiring bilingual employees or volunteers for outreach and intake activities; contracting with a telephone line interpreter service; etc.

Broadband Infrastructure:

- As described in the HUD Final Rule 81 FR 92626, any new construction or substantial rehabilitation of more than four rental units must provide for installation of broadband infrastructure, as defined in 24 CFR 5.100, except when IHCDA determines and documents that one or more of the exceptions listed in HUD Final Rule 81 FR 92626 apply.
- Per 24 CFR 5.100, broadband infrastructure means cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure, including wireless infrastructure, that is capable of providing access to internet connections in individual housing units, and that meets the definition of "advanced telecommunications capability" determined by the Federal Communications Commission under section 706 of the Telecommunications Act of 1996 (47 U.S.C. 1302).
- Per 47 U.S.C 1302, "advanced telecommunications capability" is defined, without regard to any transmission media or technology, as high-speed, switched, broadband telecommunications capability that enables users to originate and receive high-quality voice, data, graphics, and video telecommunications using any technology.

Energy Standards:

- New construction projects must meet certain energy efficiency standards.
  - New single family and low-rise multifamily housing (1-3 stories) must meet the standards under the 2021 IECC
  - High-rise multifamily (4+ stories) must meet the standards under ASHRAE 90.1-2019.

Audit:

- The recipient must submit a cost certification performed by a certified public accountant for each project assisted with HTF funds. The recipient will be required to submit an annual audit for the project, beginning the first year following the cost certification and with the final annual audit occurring the last year of the affordability period.

3.4 Property Standards

All HTF funded projects must meet the NSPIRE Affirmative Habitability Requirements.

The National Standards for the Physical Inspection of Real Estate ("NSPIRE") requires the following minimum Affirmative Habitability Requirements.

Inspectable Area = Unit: the interior components of an individual dwelling where the resident lives

- Hot and cold running water in both bathroom and kitchen, including adequate source of safe drinking water in the bathroom and kitchen
- Bathroom or sanitary facility that is in proper operating condition and usable in privacy that contains a sink, a bathtub or shower, and an interior flushable toilet
- At least 1 battery-operated or hard-wired smoke detector in proper working condition
  - On each level of the unit
  - Inside each bedroom

  - Within 21’ of any door to a bedroom measured along a path of travel; and
  - Where a smoke detector installed outside a bedroom is separated from an adjacent area by a door, must also be installed on the living area side of the door
  - If the unit is occupied by a hearing-impaired person, the smoke detectors must have an alarm system designed for hearing-impaired persons.
- Living room and kitchen area with a sink, cooking appliance, refrigerator, food preparation area, and food storage area
- For units with Housing Choice Vouchers or Project Based Vouchers, at least one bedroom or living/sleeping room for each two persons in the household
- Must meet carbon monoxide detection standards established through Federal Register notice and the NSPIRE standard, if applicable
- Two working outlets or one working outlet and a permanent light within all habitable rooms
- Outlets within 6’ of a water source must be GFCI protected*
- Must contain a permanently installed heating source. Units may not contain unvented space heaters that burn gas, oil, or kerosene.
- Must have a guardrail when there is an elevated working surface drop off of 30’ or more measured vertically
- Permanently mounted light fixture in the kitchen and each bathroom

Inspectable Area = Inside: the common areas and building systems within the building interior that are not inside a unit

- At least one battery-operated or hard-wired smoke detector in proper working condition on each level
- Must meet carbon monoxide detection standards established through Federal Register notice and the NSPIRE standard, if applicable
- Outlets within 6’ of a water source must be GFCI protected*
- Must have a guardrail when there is an elevated walking surface drop off of 30” or more measured vertically
- Permanently mounted light fixtures in any kitchens and each bathroom
- May not contain unvented space heaters that burn gas, oil, or kerosene

Inspectable Area = Outside: the building site, building exterior components, and any building systems located outside of the building

- All outside outlets must be GFCI protected
- Must have a guardrail when there is an elevated walking surface drop off of 30” or more measured vertically

* The requirement that all interior outlets within 6’ of a water source must be GFCI protected does not apply in the following circumstances:

- The requirement does not apply to an outlet dedicated to a major appliance (e.g., water heater, HVAC, refrigerator, washing machine, dishwasher, garbage disposal, appliance that is wall-mounted or installed within a cabinet, etc.). A “dedicated outlet” is a receptacle outlet that is only capable of serving that specific appliance.

- The requirement does not apply to an outlet below a countertop and within an enclosed cabinet, regardless of its distance from the water source.

Smoke Alarm Placement Requirements

Smoke alarms must be installed in all areas listed in the affirmative habitability requirements. The following placement requirements must be met.

- If mounted on the ceiling, smoke alarm must be greater than 4 inches from the wall
- If mounted on the wall, the top edge of the smoke alarm cannot be closer than 4 inches or greater than 12 inches from the ceiling

CO Detector Placement Requirements

CO detectors are only required if required by NFPA 72 or NSPIRE standards, for example, if a unit (1) contains a fuel-burning appliance or fuel-burning fireplace, (2) has adjacent spaces from which byproducts of combustion gas can flow, or (3) is located one story or less above or below an attached private garage that does not have natural ventilation or is enclosed and does not have a ventilation system for vehicle exhaust. See HUD's NSPIRE carbon monoxide alarm standard.

3.5 Minimum Accessibility Requirements:

Fair Housing Requirements: The Fair Housing Amendments Act of 1988 design requirements apply to "covered multifamily dwellings" which were built for first occupancy after March 13, 1991. First occupancy means a building that has never before been used for any purpose. The following are considered covered multifamily dwellings:

- All dwelling units in buildings containing four or more dwelling units if such buildings have one or more elevators
- All ground floor dwelling units in other buildings containing four or more units.

Regulations found at 24 CFR Part 100.205 implement the Fair Housing Act's design and construction requirements. These specific design and construction standards can also be found in ICC A117.1 Accessible and Usable Building and Facilities, Fair Housing Accessibility Guidelines (FHAG), and HUD's Fair Housing Act Design Manual. The seven design requirements for covered multifamily dwellings, in abridged form, are as follows.

- Must have at least one building entrance on an accessible route
- Public and common use areas must be readily accessible to and usable by people with disabilities
- All doors designed to allow passage into and within all premises must be sufficiently wide to allow passage by persons in wheelchairs
- There must be an accessible route into and through the dwelling units, providing access for people with disabilities throughout the unit
- All premises within the dwelling units must contain light switches, electrical outlets, thermostats, and other environmental controls in accessible locations.
- All premises within the dwelling units must contain reinforcements in bathroom walls to allow later installation of grab bars around toilet, tub, shower stall and shower seat, where such facilities are provided.

- Dwelling units must contain usable kitchens and bathrooms such that an individual who uses a wheelchair can maneuver about the space.

504 Requirements: Developments must be designed and built in accordance with the accessibility requirements of Section 504. These specific design and construction standards can be found in the Uniform Federal Accessibility Standards (UFAS) and in 24 CFR Part 8. Section 504 requires that at least 5% of the units, or at least one unit whichever is greater, must be accessible for persons with mobility disabilities and an additional 2% of the units, or at least one unit whichever is greater, must be accessible for persons with hearing or visual disabilities.

ADA Requirements: Public common areas, such as leasing offices and any community spaces open to the general public, must meet the design requirements of the Americans with Disabilities Act.

3.6 Award Term

The HTF award must be fully expended within a 24-month period. The award expires 24 months following execution of the award agreement by the recipient and IHCDA.

IHCDA will hold the final $10,000 of an award until all match documentation, closeout documentation, and completion reports are received and approved. Retainage will not be released until the final monitoring and inspection are completed and all associated findings and/or concerns are resolved.

Part 4: Subsidy Limitations and Forms of Assistance

4.1 Subsidy & Budget Limitations

The maximum HTF loan request per application is $1,500,000 for eligible rental projects. Based on availability of funding, IHCDA may, at its discretion, issue a RED Notice prior to a funding round to reduce or increase the amount allowed per application.

The $1,500,000 maximum request will also apply at a project level. An applicant who divides an existing project or contiguous sites into multiple applications will only be allowed to request $1,500,000 total for the project, not $1,500,000 per application.

Subsidy Limitations

The maximum per-unit subsidy limits for HTF will be set at IHCDA's applicable HOME maximum per-unit subsidy limits. They will be applied statewide and are adjusted by the number of bedrooms per unit. These limits can be found in the table below. IHCDA has updated the limits based on the increase in the Consumer Price Index.

The decision to use the HOME subsidy limits and apply them statewide is based on an analysis of the actual total development costs of affordable multifamily rental housing applications in Indiana from 2016-2020. Two separate analyses were conducted. The first compared projects in large cities (population of 75,000 or greater), small cities (population of 15,000-74,999) and rural localities (population under 14,999); the second compared the two evaluation regions as set by IHCDA (North and South). While there is some difference in individual project costs, there is relatively little variation in the 2016-2020 averages through both scenarios. The per/unit subsidy for each of the geographical subsets did not greatly differ from either each other or from the state average. The highest total development cost per unit can be found in the large city category; however, only one project since 2016 qualified for this category so the data is not necessarily indicative of any larger trend. The next highest total development cost per unit can be found in the rural category. In this category, the difference between the statewide total development cost average was only 4.87% and the difference between the total development cost per unit was only 3.38%. Small towns had the lowest cost per unit. Analysis of this data suggests that current HOME subsidy limits remain appropriate.

Setting the HTF maximum per-unit subsidy limits at the existing HOME limits is allowed by HUD and cost data indicate the use of the HOME limits is appropriate as the initial baseline cap for the amount of HTF investment that may be put into any HTF-assisted unit. However, it is important to note that the cap is not the only mechanism IHCDA will use to allocate no more HTF funds than allowable and necessary for project quality and affordability. Each application for HTF funding will be reviewed and analyzed in accordance with IHCDA's underwriting process, which includes a subsidy layering review. IHCDA staff has extensive experience in this area, including through its administration of HOME. The review includes an examination of sources and uses (including any operating or project-based rental assistance) and a determination that all costs are reasonable. Through its underwriting process, IHCDA will ensure that the level of HTF subsidy provided: 1) does not exceed the actual HTF eligible development cost of the unit, 2) that the costs are reasonable and in line with similar projects across the state, 3) the developer is not receiving excessive profit, and 4) HTF funding does not exceed the amount necessary for the project to be successful for the required 30-year affordability period.

Due to the unique costs associated with Permanent Supportive Housing projects that are often not present in non-PSH HOME rental projects and, in light of public comments received, IHCDA has elected to increase the HTF subsidy limits by approximately 7.5% over current HOME subsidy limits. IHCDA will revisit these limits on an annual basis to determine whether they remain appropriate. IHCDA will allow HTF applicants applying in conjunction with HOME Investment Partnerships Program-American Rescue Plan ("HOME-ARP") to use the maximum HOME subsidy limits as published by HUD.

HTF funds used for acquisition, rehabilitation, and new construction combined cannot exceed:

Bedroom Size	Per Unit Subsidy Limit
0	$139,750
1	$163,400
2	$187,050
3	$225,750
4+	$249,400

Minimum amount of HTF funds to be used for rehabilitation or new construction is $1,000 per unit.

IHCDA will conduct a cost allocation analysis for each application. IHCDA will ensure that the amount of HTF funds invested does not exceed the lesser of (1) the total HTF eligible costs per unit, (2) the maximum per-unit HTF subsidy as noted in the table above, or (3) the Applicant's HTF request. IHCDA will determine the minimum number of HTF-assisted units required for the project based on the amount of HTF funding requested. Applicants may be required to increase the number of HTF-assisted units and/or to reduce the amount of HTF funding requested based on this cost allocation analysis.

If the application proposes less than 100% of units as HTF-assisted units (e.g., a mixed-income project), IHCDA must determine if HTF-assisted and non-HTF-assisted units are comparable or non-comparable based on square footage, design features and amenities, and the number of bedrooms.

If the application proposes non-residential space (e.g., a mixed-use project) including commercial space and community spaces and facilities in the building that are not exclusively for the use of the project residents, IHCDA must evaluate the square footage of residential vs. non-residential space to determine what portion of total development costs are HTF eligible.

IHCDA may approve, at their sole discretion, requests for higher per unit subsidy limits dependent upon verification of the need for increased costs.

Budget Limitations

HTF funds cannot be used for reserve accounts for replacement or operating costs but may be used as a Rent-Up Reserve.

All subsidies must be secured throughout the affordability period by a written, legally binding, recorded restrictive covenant.

IHCDA may approve, at their sole discretion, requests for higher per unit subsidy limits dependent upon verification of the need for increased costs.

4.2 Forms of Assistance and Underwriting Criteria

In reviewing requests for a HTF loan in conjunction with LIHTC, IHCDA will utilize the same underwriting criteria and analysis required by the QAP. Applicants awarded a HTF loan in conjunction with LIHTC may receive an offer of assistance (i.e., loan amount, loan term, interest rate, etc.) that is different from that requested. If the LIHTC application is awarded, Applicants will receive a Letter of Interest with the HTF loan terms offered by IHCDA.

HTF funds will be awarded to the recipient in the form of a loan HTF with LIHTC will be structured as a The applicant may propose an interest rate for the use of HTF. IHCDA will make a final interest rate determination based on financial capacity and underwriting considerations, including ensuring that the project is not over-subsidized. Interest rates are fixed.

Award documents must be executed in order to access funds and will include but are not limited to award agreement, resolution, and a lien and restrictive covenant agreement.

The HTF Loan must be secured through a mortgage on the assisted property, which may be subordinated to other financing depending on whether there is sufficient collateral to fully cover the amount of the loan.

If the loan will not take second position behind permanent financing, the developer must receive IHCDA approval. If IHCDA agrees to subordinate the HTF Loan in priority, it will do so using an IHCDA approved Subordination Agreement.

4.3 Underwriting Guidelines for Rental Projects

The following underwriting guidelines must be followed for any rental development as per 24 CFR 93.300 (b). The numbers submitted should accurately reflect the true nature and cost of the proposed activity. IHCDA will consider underwriting outside of these guidelines, if supporting documentation is provided.

TOTAL OPERATING EXPENSES – All developments must be able to underwrite with a minimum operating expense of $5,000 per unit per year (net of taxes and reserves).

For developments with Project Based Vouchers, cash flow (minus any acceptable reserve amounts) cannot exceed 10% of the total operating expenses. Cash flow is determined after ensuring all debt can be satisfied and is defined as total income to the project minus total expenses.

MANAGEMENT FEE – The maximum management fee allowed is described in the table below, based on the number of units within the project. The percentage is based on the “effective gross income” (i.e. gross income for all units, less vacancy rate).

Number of Units	Maximum Management Fee Percentage
1 – 50	7%
51 - 100	6%
101 or more	5%

VACANCY RATE – All developments must be able to underwrite with a vacancy rate between 6% and 8%. Applicants must substantiate the vacancy rate. Exception: Applications with Section 8 Project Based Rental Assistance (PBRA), Project Based Vouchers (PBV), or Section 811 Project Rental Assistance (811 PRA) on 20% or more of the total units must use a vacancy rate of 4-7%.

RENTAL INCOME GROWTH – 2% per year

OPERATING RESERVES – The greater of (1) at least four months of projected expenses including operating expenses plus debt service payments and replacement reserve payments; OR (2) $1,500 per unit.

RENT-UP RESERVE – HTF funds may be used to fund a rent-up reserve for new construction and rehabilitation rental housing developments. This reserve can be used to meet shortfalls in development income during the rent-up period and may only be drawn down after all construction is completed at the development. The following terms apply:

- The term of the rent-up reserve account may not exceed six months after all construction is completed, after which time any unused reserves left in the account will be de-obligated by IHCDA.
- These funds can be used only for development operating expenses, scheduled payments to replacement reserves, and/or debt service payments.
- The recipient must receive IHCDA's approval prior to accessing its rent-up reserve funding.
- The amount of HTF funds that can be utilized for a rent-up reserve is limited to three months development operating expenses plus three months of development debt service.

REPLACEMENT RESERVES – All developments are required to have replacement reserves. Replacement reserves must be included in the operating budget but are not included as part of the operating reserves. Contributions must be made to the reserve account starting at or before the conversion date of the construction loan to permanent loan and must be funded for the term of the Extended Use Period/Affordability Period.

For multiple construction types, each unit must meet the minimum contributions stated above based on the construction type of that unit. For example, if a development contains 30 age-restricted new construction units and 20 rehabilitation units, the calculation would be 30 units at $250 per unit per year and 20 units at $350 per unit per year.

Replacement reserve funds must only be used for capital improvements (substantial improvements to the real estate such as re-roofing, structural repairs, or major projects to replace or upgrade existing furnishings, but not including replacement of individual appliances or minor repairs) and must **not** be used for general maintenance expenses. Less restrictive provisions required by lenders must be approved by IHCDA.

Replacement reserves must escalate at a rate of 3% per year.

IHCDA will, at its discretion, adjust the replacement reserve to reflect reasonable and customary capital and replacement expenditures. The following minimum contributions must be used.

Development Type	Minimum Contribution per unit per year
Rehabilitation/ Adaptive Reuse*	$350
New Construction (if age restricted)	$250
New Construction (if non-age-restricted)	$300
Single Family Units	$420
Historic Rehabilitation	$420

* For rehabilitation developments, the Capital Needs Assessment will be reviewed to determine whether sufficient reserves have been established.

CAPITALIZED SERVICE RESERVES- All developments receiving an allocation of HTF funds must establish a capitalized service reserve to help ensure that supportive services can be provided to the tenants throughout the affordability period. The service reserve cannot, however, be funded from HTF funds. The developer must account for the source of the service reserves and take this into effect when considering uses for tax credit equity and other sources. The amount of the service reserve must be based on development size and service budget. The application must include a narrative describing the methodology used to determine the size of the service reserve.

IHCDA will, at its discretion, issue additional guidance via a RED Notice to set a more standardized requirement on the allowable size (minimum and maximum) of the capitalized service reserve requirement to reflect reasonable and customary expenditures.

OPERATING EXPENSE GROWTH – All developments must be able to underwrite with operating expense growth of 3% per year.

IHCDA requires operating expense growth to be at least 1% higher than rental income growth.

STABILIZED DEBT COVERAGE RATIO – The minimum and maximum debt coverage ratio (DCR) is defined by development type, as listed below:

- Large and Small City Developments: 1.15 – 1.45
- Rural Developments: 1.15 – 1.50
- Developments with Project Based Vouchers: 1.10 – 1.45
- Developments with 221(d)(4) or 223(f) loans: 1.11 – 1.45

IHCDA calculates DCR before payment of deferred developer fee.

IHCDA recognizes that some Developments may require a higher DCR at the beginning of the Compliance Period to remain viable over the 15 years. Documentation to support a higher DCR must be provided. However, for Developments with Project Based Vouchers, the DCR must be in the range stated above for all years.

Developments without debt will not have a DCR but will be required to have sufficient cash flow. This will be determined by an expense ratio of Effective Gross Income to Total Annual Expenses (including replacement reserve contributions). An expense ratio of 1.10 shall be the minimum required in Years 1-15 to be considered viable.

5.7 Market Assessment Guidelines

The following market assessment guidelines must be followed for any rental development. The numbers submitted should accurately reflect the market feasibility of the proposed activity.

MARKET AREA – Describe the market area to which the majority of the development's tenants are likely to come and provide a map with a scale. Describe how the market area was determined to be appropriate for the development.

SOCIOECONOMIC PROFILE AND TRENDS – Describe the trends in population and households by age and income and estimate the number of eligible tenants for the development.

HOUSING STOCK – Describe the existing housing stock within the market area including the number of housing units, type (single family or multifamily), percent vacant, percent owner-occupied and renter-occupied, etc. In addition, provide a list of all other rent restricted properties in the market area and indicate whether they are age restricted.

CAPTURE RATE AND ABSORPTION PERIOD – Provide an estimate of the capture rate for the development (project's units divided by the number of eligible tenants from the market area) and estimate the absorption period to ensure lease-up within 18 months of project completion.

NEEDS ASSESSMENT – Describe how the development addresses the community's housing needs, given the market area's socioeconomic profile, trends, and housing stock.

DEVELOPMENT SITE DESCRIPTION – Explain how the site is adequate in size, exposure, and contour to accommodate the number and type of units proposed. In addition, describe whether there are adequate utilities (water, sewer, gas, and electricity) to accommodate the development.

5.8 Site and Neighborhood Standards

IHCDA administers the HTF program in a manner that promotes housing opportunities and provides housing that is suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, E.O. 11063, and HUD regulations issued pursuant thereto. For new construction of HTF -assisted rental units, the applicant must demonstrate that the proposed development meets the site and neighborhood standards as given at 24 CFR 983.6(b) and 93.150 by completing the appropriate form in the HTF Section.

- The site must not be located in an area of minority concentration, except as permitted below, and must not be in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.
- A project may be located in an area of minority concentration only if:
  - Sufficient, comparable opportunities exist for housing for minority families in the income range to be served by the proposed project outside areas of minority concentration or

- The project is necessary to meet overriding housing needs that cannot be met in that housing market area
- “Sufficient” does not require that in every locality there be an equal number of assisted units within and outside of areas of minority concentration. Rather, application of this standard should produce a reasonable distribution of assisted units each year that, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance in any jurisdiction must be determined considering local conditions affecting the range of housing choices available for low-income minority families and in relation to the racial mix of the locality's population.
- Units may be considered “comparable opportunities,” if they have the same household type (elderly, disabled, family, large family) and tenure type (owner/renter); require approximately the same tenant contribution towards rent; serve the same income group; are in the same housing market; and are in standard condition.
- Application of this sufficient, comparable opportunities standard involves assessing the overall impact of HUD-assisted housing on the availability of housing choices for low-income minority families in and outside areas of minority concentration, and must consider the extent to which the following factors are present, along with other factors relevant to housing choice:
  - A significant number of assisted housing units are available outside areas of minority concentration.
  - There is significant integration of assisted housing projects constructed or rehabilitated in the past 10 years, relative to the racial mix of the eligible population.
  - There are racially integrated neighborhoods in the locality.
  - Programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration.
  - Minority families have benefited from local activities (e.g., acquisition and write-down of sites, tax relief programs for homeowners, acquisitions of units for use as assisted housing units) undertaken to expand choice for minority families outside of areas of minority concentration.
  - A significant proportion of minority households have been successful in finding units in non-minority areas under the tenant-based assistance programs.
  - Comparable housing opportunities have been made available outside areas of minority concentration through other programs.
- Application of the “overriding housing needs” criterion, for example, permits approval of sites that are an integral part of an overall local strategy for the preservation or restoration of the immediate neighborhood and of sites in a neighborhood experiencing significant private investment that is demonstrably improving the economic character of the area (a “revitalizing area”). An “overriding housing need,” however, may not serve as the basis for determining that a site is acceptable, if the only reason the need cannot otherwise be feasibly met is that discrimination on the basis of race, color, religion, sex, national origin, age, familial status, or disability renders sites outside areas of minority concentration unavailable or if the use of this standard in recent years has had the effect of circumventing the obligation to provide housing choice.

5.9 Project Based Voucher Requirements

If the applicant is applying for Project Based Voucher subsidies through IHCDA, the project must meet the additional underwriting criteria listed in the table below to pass the HUD subsidy-layering review process.

In addition, the applicant must submit an appraisal report, establishing the value of the property before construction or rehabilitation, regardless of if HOME or HTF dollars are being used for acquisitions.

Development Costs	HUD Limits
General Requirements	6% of Total Construction/Rehabilitation Cost
Overhead	2% of Total Construction/Rehabilitation Cost
Builder's Profit	6% of Total Construction/Rehabilitation Cost
Total	14% of Total Construction/Rehabilitation Cost
Developer's Fee	15%
Debt Coverage Ratio	HUD Limits
Minimum required	1.10
Maximum allowed	1.45
Trending	HUD Guideline
Operating Expenses, Year 1- 3	3%
Operating Expenses, Year 4-15	3%
Rent Increases, Year 1-3	1-3%
Rent Increases, Year 4-15	3%
Total Operating Expenses	HUD Limits
Years 1-15	Cannot exceed 10% of the total operating expenses.

Part 5: Compliance Requirements

5.1 Income Restrictions and Affordability Period

HTF-assisted rental units will be income-restricted for occupancy by extremely low-income households, defined as households that are certified as having incomes at or below the 30% area median income HTF income limit, as published by HUD.

IHCDA posts income limits – these can be found through IHCDA's RED Notices. IHCDA will release a new RED notice when new limits are available through HUD.

All households that occupy HTF-assisted rental housing units must be income certified at the time of move-in and then recertified on an annual basis. The 24 CFR Part 5 Subpart F definition of household income applies.

The HTF-assisted units must meet affordability requirements for not less than 30 years, beginning at development completion. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. The affordability requirements must be imposed by deed restrictions or covenants running with the land. Please note that the HTF affordability period may differ from that of the LIHTC or Bond program.

IHCDA may use purchase options, rights of first refusal, or other preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability. Affordability requirements will be met if the new owner agrees to enter a written agreement subjecting the development to the HTF affordability requirements for the remainder of the affordability period.

The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the foreclosure, or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the development or property.

Enforcement of Affordability Period:
With respect to HTF-assisted rental units, the recipient must execute a lien and restrictive covenant agreement, and a loan agreement, promissory note, mortgage, security agreement and UCC's, as directed by IHCDA, in order to preserve affordability and secure IHCDA's investment in the assisted property. Recipient must use documents that are prepared by IHCDA.

Commencement of Affordability Period
The affordability period will not begin until after project completion. Project completion is defined as the date that all necessary title transfer requirements and construction work have been performed; the rehabilitation completed complies with the requirements of 24 CFR 93 or 24 CFR 570 and stricter of the local rehabilitation standards or the Indiana State Building Code; the final drawdown has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD. IHCDA considers the date final completion information is entered into IDIS as the start date for the project affordability period.

Repayment of HTF Funds

Housing assisted with HTF funds must meet the affordability requirements in accordance with 24 CFR 93.304 for rental housing. The recipient agrees to repay IHCDA for any HTF funds utilized for any housing constructed, redeveloped, rehabilitated, or acquired that does not remain affordable in accordance with 24 CFR 93.304 for rental housing for the entire affordability period.

5.2 Rent Restrictions

One hundred percent (100%) of the HTF-assisted units must be occupied by households whose incomes are at or below 30% of the area median income, adjusted for household size, with rental rates (including tenant-paid utilities) that do not exceed the 30% AMI Rent Limit as published annually by IHCDA's Real Estate Department. Additionally, lower income targeting must be followed if agreed upon in the Application and recorded Lien and Restrictive Covenant. When Developments are combined with HTF & LIHTC, the owner must compare the two sets of limits and apply the most restrictive to any unit that is both a tax credit and HTF-assisted unit.

If an SRO unit does not have kitchen or bathroom facilities, or has either of these but not both, the maximum SRO rent will be the lesser of 75% of the Fair Market Rent or 100% of the applicable rent limit for an efficiency. For an SRO unit with both kitchen and bathroom facilities, the maximum SRO rent will be 100% of the applicable rent limit for an efficiency.

Rent limits include the cost of any tenant-paid utilities. You must subtract from the published rent limit an approved utility allowance for all utilities for which the tenant will be responsible, as well as any other non-optional fees.

The following restrictions apply:

- Published rent limits include the cost of any tenant-paid utilities. For all utilities that the tenant will be responsible for you must subtract any IHCDA or HUD approved utility allowance from the published rent limit. For example, if the rent limit in each county is $300 with a utility allowance for gas heat of $28, $20 for other electric, and $13 for water, the maximum allowable rent would be $239 for a unit where the tenant pays all the above utilities ($300 - $28 - $20 - $13 = $239).
- All units must be leased for initial occupancy within 18 months.
- If a SRO-unit has both food preparation and sanitary facilities, then use the zero bedroom (efficiency) unit rent or 30% of the household's adjusted income, whichever is most restrictive.
- If a SRO-unit has neither food preparation nor sanitary facilities, or only one of either, then the rent may not exceed 75% of the fair market rent (FMR) for a zero bedroom unit. For example, if the FMR for a zero-bedroom unit in a given county is $300, then the 30% rent limit in that county for a SRO unit that only has a bathroom and not a kitchen would be $225 ($300 x .75 = $225).
- Gross rent must be at or below the published rent limit. Gross rent = tenant-paid rent + tenant-based rental assistance + utility allowance + non-optional charges.
- If the applicant proposes to receive all or a portion of the rent payment via a tenant-based voucher (rental subsidy), the gross rent (including the rental assistance amount) cannot exceed the published rent limits for the applicable income level. For example, a tenant residing in a unit set-aside for households at or below 30% of the area median income has a voucher that pays $100 of his/her rent, and the published utility allowance for tenant paid utilities for the unit is $50. If the published 30% rent limit is $300, the tenant paid portion of rent cannot exceed $150

($300 rent limit - $100 Section 8 Voucher - $50 utility allowance = $150 maximum tenant paid portion).

- If the development receives a federal or state project-based rent subsidy and the unit is designated as 30% or below and the household is at or below 30% AMI and the household pays no more than 30% of his/her adjusted income for rent, then the maximum rent may be the rent allowable under the project-based rental subsidy program as set forth in 24 CFR 93.302(b)(2).
- If the development charges non-optional fees for food or the costs of supportive services, then these costs must be included in the gross rent calculation

5.5 Affordability Periods
All rental projects are subject to a 30-year affordability period as defined in Part 3.4 of this document.

The recipient is subject to recapture provisions through a recorded lien and restrictive covenant agreement.

5.6 Underwriting Guidelines for Rental Projects
The following underwriting guidelines must be followed for any rental development as per 24 CFR 93.300 (b). The numbers submitted should accurately reflect the true nature and cost of the proposed activity. IHCDA will consider underwriting outside of these guidelines, if supporting documentation is provided.

TOTAL OPERATING EXPENSES – All developments must be able to underwrite with a minimum operating expense of $5,000 per unit per year (net of taxes and reserves).

For developments with Project Based Vouchers, cash flow (minus any acceptable reserve amounts) cannot exceed 10% of the total operating expenses. Cash flow is determined after ensuring all debt can be satisfied and is defined as total income to the project minus total expenses.

MANAGEMENT FEE – The maximum management fee allowed is described in the table below, based on the number of units within the project. The percentage is based on the “effective gross income” (i.e. gross income for all units, less vacancy rate).

Number of Units	Maximum Management Fee Percentage
1 – 50	7%
51 - 100	6%
101 or more	5%

VACANCY RATE – All developments must be able to underwrite with a vacancy rate between 6% and 8%. Applicants must substantiate the vacancy rate. Exception: Applications with Section 8 Project Based Rental Assistance (PBRA), Project Based Vouchers (PBV), or Section 811 Project Rental Assistance (811 PRA) on 20% or more of the total units must use a vacancy rate of 4-7%.

RENTAL INCOME GROWTH – 2% per year

OPERATING RESERVES – The greater of (1) at least four months of projected expenses including operating expenses plus debt service payments and replacement reserve payments; OR (2) $1,500 per unit.

RENT-UP RESERVE – HTF funds may be used to fund a rent-up reserve for new construction and rehabilitation rental housing developments. This reserve can be used to meet shortfalls in development income during the rent-up period and may only be drawn down after all construction is completed at the development. The following terms apply:

- The term of the rent-up reserve account may not exceed six months after all construction is completed, after which time any unused reserves left in the account will be de-obligated by IHCDA.
- These funds can be used only for development operating expenses, scheduled payments to replacement reserves, and/or debt service payments.
- The recipient must receive IHCDA's approval prior to accessing its rent-up reserve funding.
- The amount of HTF funds that can be utilized for a rent-up reserve is limited to three months development operating expenses plus three months of development debt service.

REPLACEMENT RESERVES – All developments are required to have replacement reserves. Replacement reserves must be included in the operating budget but are not included as part of the operating reserves. Contributions must be made to the reserve account starting at or before the conversion date of the construction loan to permanent loan and must be funded for the term of the Extended Use Period/Affordability Period.

For multiple construction types, each unit must meet the minimum contributions stated above based on the construction type of that unit. For example, if a development contains 30 age-restricted new construction units and 20 rehabilitation units, the calculation would be 30 units at $250 per unit per year and 20 units at $350 per unit per year.

Replacement reserve funds must only be used for capital improvements (substantial improvements to the real estate such as re-roofing, structural repairs, or major projects to replace or upgrade existing furnishings, but not including replacement of individual appliances or minor repairs) and must **not** be used for general maintenance expenses. Less restrictive provisions required by lenders must be approved by IHCDA.

Replacement reserves must escalate at a rate of 3% per year.

IHCDA will, at its discretion, adjust the replacement reserve to reflect reasonable and customary capital and replacement expenditures. The following minimum contributions must be used.

Development Type	Minimum Contribution per unit per year
Rehabilitation/ Adaptive Reuse*	$350
New Construction (if age restricted)	$250
New Construction (if non-age-restricted)	$300
Single Family Units	$420
Historic Rehabilitation	$420

* For rehabilitation developments, the Capital Needs Assessment will be reviewed to determine whether sufficient reserves have been established.

CAPITALIZED SERVICE RESERVES- All developments receiving an allocation of HTF funds must establish a capitalized service reserve to help ensure that supportive services can be provided to the tenants throughout the affordability period. The service reserve cannot, however, be funded from HTF funds. The developer must account for the source of the service reserves and take this into effect when considering uses for tax credit equity and other sources. The amount of the service reserve must be based on development size and service budget. The application must include a narrative describing the methodology used to determine the size of the service reserve.

IHCDA will, at its discretion, issue additional guidance via a RED Notice to set a more standardized requirement on the allowable size (minimum and maximum) of the capitalized service reserve requirement to reflect reasonable and customary expenditures.

OPERATING EXPENSE GROWTH – All developments must be able to underwrite with operating expense growth between 1% and 3% per year.

IHCDA requires operating expense growth to be at least 1% higher than rental income growth.

STABILIZED DEBT COVERAGE RATIO – All developments must be able to underwrite with a stabilized debt coverage ratio (DCR) within the following standards (stabilization generally occurs in year 2):

Development Location	Minimum Acceptable Debt Coverage Ratio
Large or Small City	1.15 – 1.45
Rural	1.15 – 1.50
Development with Project Based Vouchers	1.10-1.45

- Stabilization usually occurs in year two; however, the debt coverage ratio for a development must not go below 1.10 during the affordability period to be considered financially feasible.
- IHCDA does recognize that rural deals may have higher debt coverage ratios at the beginning of the affordability period in order to remain feasible. Documentation to support these higher debt coverage ratios must be provided.
- For developments with Project Based Vouchers, the debt coverage ratio must be in the range stated in the table above as required under HUD's Subsidy Layering requirements.
- Developments without hard debt are permissible but will be subject to additional scrutiny from IHCDA. Developments with no debt will not have a debt coverage ratio but will be required to have cash flow without an undue profit. This will be determined by a ratio of Effective Gross Income to Total Annual Expenses (including Replacement Reserves). A ratio of 1.10 shall be the minimum required to be considered feasible by IHCDA, throughout the affordability period.

The following documentation is required for Stabilized Debt Coverage Ratio:

- Documentation of estimated property taxes and insurance for the proposed development (i.e. a statement of how the applicant determined the estimated taxes and insurance for the development); AND

- If the underwriting is outside these guidelines, the applicant must provide a written detailed explanation with third party documentation supporting the explanation (approval of underwriting from other financing institutions/funding sources will not constitute acceptable supporting documentation).

5.7 Market Assessment Guidelines
The following market assessment guidelines must be followed for any rental development. The numbers submitted should accurately reflect the market feasibility of the proposed activity.

MARKET AREA – Describe the market area to which the majority of the development's tenants are likely to come and provide a map with a scale. Describe how the market area was determined to be appropriate for the development.

SOCIOECONOMIC PROFILE AND TRENDS – Describe the trends in population and households by age and income and estimate the number of eligible tenants for the development.

HOUSING STOCK – Describe the existing housing stock within the market area including the number of housing units, type (single family or multifamily), percent vacant, percent owner-occupied and renter-occupied, etc. In addition, provide a list of all other rent restricted properties in the market area and indicate whether they are age restricted.

CAPTURE RATE AND ABSORPTION PERIOD – Provide an estimate of the capture rate for the development (project's units divided by the number of eligible tenants from the market area) and estimate the absorption period to ensure lease-up within 18 months of project completion.

NEEDS ASSESSMENT – Describe how the development addresses the community's housing needs, given the market area's socioeconomic profile, trends, and housing stock.

DEVELOPMENT SITE DESCRIPTION – Explain how the site is adequate in size, exposure, and contour to accommodate the number and type of units proposed. In addition, describe whether there are adequate utilities (water, sewer, gas, and electricity) to accommodate the development.

5.8 Site and Neighborhood Standards

IHCDA administers the HTF program in a manner that promotes housing opportunities and provides housing that is suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, E.O. 11063, and HUD regulations issued pursuant thereto. For new construction of HTF -assisted rental units, the applicant must demonstrate that the proposed development meets the site and neighborhood standards as given at 24 CFR 983.6(b) and 93.150 by completing the appropriate form in the HTF Section.

- The site must not be located in an area of minority concentration, except as permitted below, and must not be in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.
- A project may be located in an area of minority concentration only if:
  - Sufficient, comparable opportunities exist for housing for minority families in the income range to be served by the proposed project outside areas of minority concentration or
  - The project is necessary to meet overriding housing needs that cannot be met in that housing market area

- "Sufficient" does not require that in every locality there be an equal number of assisted units within and outside of areas of minority concentration. Rather, application of this standard should produce a reasonable distribution of assisted units each year that, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance in any jurisdiction must be determined considering local conditions affecting the range of housing choices available for low-income minority families and in relation to the racial mix of the locality's population.
- Units may be considered "comparable opportunities," if they have the same household type (elderly, disabled, family, large family) and tenure type (owner/renter); require approximately the same tenant contribution towards rent; serve the same income group; are in the same housing market; and are in standard condition.
- Application of this sufficient, comparable opportunities standard involves assessing the overall impact of HUD-assisted housing on the availability of housing choices for low-income minority families in and outside areas of minority concentration, and must consider the extent to which the following factors are present, along with other factors relevant to housing choice:
  - A significant number of assisted housing units are available outside areas of minority concentration.
  - There is significant integration of assisted housing projects constructed or rehabilitated in the past 10 years, relative to the racial mix of the eligible population.
  - There are racially integrated neighborhoods in the locality.
  - Programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration.
  - Minority families have benefited from local activities (e.g., acquisition and write-down of sites, tax relief programs for homeowners, acquisitions of units for use as assisted housing units) undertaken to expand choice for minority families outside of areas of minority concentration.
  - A significant proportion of minority households have been successful in finding units in non-minority areas under the tenant-based assistance programs.
  - Comparable housing opportunities have been made available outside areas of minority concentration through other programs.
- Application of the "overriding housing needs" criterion, for example, permits approval of sites that are an integral part of an overall local strategy for the preservation or restoration of the immediate neighborhood and of sites in a neighborhood experiencing significant private investment that is demonstrably improving the economic character of the area (a "revitalizing area"). An "overriding housing need," however, may not serve as the basis for determining that a site is acceptable, if the only reason the need cannot otherwise be feasibly met is that discrimination on the basis of race, color, religion, sex, national origin, age, familial status, or disability renders sites outside areas of minority concentration unavailable or if the use of this standard in recent years has had the effect of circumventing the obligation to provide housing choice.

5.9 Project Based Voucher Requirements

If the applicant is applying for Project Based Voucher subsidies through IHCDA, the project must meet the additional underwriting criteria listed in the table below to pass the HUD subsidy-layering review process.

In addition, the applicant must submit an appraisal report, establishing the value of the property before construction or rehabilitation, regardless of if HOME or HTF dollars are being used for acquisitions.

Development Costs	HUD Limits
General Conditions	6%
Overhead	2%
Builder's Profit	6%
Total	14%
Developer's Fee	15%
Debt Coverage Ratio	HUD Limits
Minimum required	1.10
Maximum allowed	1.45
Trending	HUD Guideline
Operating Expenses, Year 1- 3	3%
Operating Expenses, Year 4-15	3%
Rent Increases, Year 1-3	2-3%
Rent Increases, Year 4-15	3%
Total Operating Expenses	HUD Limits
Years 1-15	Cannot exceed 10% of the total operating expenses.

Part 6: Completeness & Threshold Requirements

Each proposed project must satisfy the Federal requirements of the HTF program listed in 24 CFR Part 93 and any additional requirements established by IHCDA. To be considered for funding, an applicant must meet all of the completeness and threshold requirements listed below.

6.1 Completeness Requirements

- Timeliness – All documentation must be turned in by the application due date.
    - On or before the application deadline, the applicant must provide all documentation as instructed in this application policy as well as required documentation listed in any other applicable policy.
    - If IHCDA requests additional information from the applicant, all requests are due on or before the date provided by IHCDA staff.
    - Any forms that are late will not be reviewed.
- Responsiveness – All questions must be answered, and all supporting documentation must be provided.
    - The applicant must provide all documentation as instructed in this application policy as well as the required documentation listed in the HTF Application Forms.
    - The applicant must provide all documentation as requested (e.g., electronic or hard copies, labeled correctly, etc.)
    - Required signatures must be originally signed.

6.2 HTF Criteria

In accordance with 24 CFR 91.320(5)(i), IHCDA will address and weigh the required priority funding factors in the following manner:

- *Priority Housing Needs of Indiana – high priority*: Through the 2020-2024 Consolidated Plan, the State of Indiana includes extremely low-income households and permanent supportive housing/integrated supporting housing as "housing priority needs" (see AP-25 Allocation Priorities).
    - To be eligible for HTF, the applicant must further the creation of community-based housing that targets the extremely low income (less than 30% AMI) with intensive service programs that have a direct impact on reducing homelessness through the Housing First model, to meet the state's priority housing needs of serving extremely low-income households. Applicants who have not successfully completed the Supportive Housing Institute and/or who do not meet the set-aside criteria as identified in both the QAP (if applying for RHTC) and in Sections 2.1 and 6.3 (e) of this Allocation Plan will not be eligible for funding.
    - In addition, IHCDA may award additional scoring of 63 points under Sections 6.1 Affordability; 6.2 Development Characteristics; 6.3 Market Characteristics, and 6.5 Other Scoring to prioritize projects which best serve their residents.
- *Project-Based Rental Assistance – high priority:* As stated under Threshold Items Section 6.3 (c) and 6.3 (e), in order to be eligible for HTF funding, the applicant must demonstrate how units will be made affordable to the targeted population of persons experiencing homelessness. All developments are required to identify a source of project-based rental assistance for the supportive housing units, generally through Project-Based Section 8 vouchers or CoC funding. Developments that have not identified an operating subsidy source do not meet threshold and will not be considered for funding. As stated under Section 6.1 Rents Charged, Applicants may be eligible for 16 points for rent targeting.

- *Timely Undertaking – moderate priority*: As stated under the Threshold Items Section 6.3 (d), the applicant is required to demonstrate their ability to undertake the activities set forth in its application upon receipt of the HTF award, to begin construction within 12 months of receipt of the award, and to complete the development within a 24-month period.
- *Extent of Non-Federal Funding – moderate priority*: As stated under the Threshold Items Section 6.3 (c), the applicant must demonstrate all subsidy sources. IHCDA may also award up to 14 points for projects that meet the criteria as outlined in Sections 7.2 (o) Tax Credit Per Unit; 7.2 (p) Tax Credit per Bedroom; 7.4 (a) Firm Commitment; and 7.4 (b) Previous Funding in a Local Government.
- *Affordability Period – low priority*: As stated under the Threshold Criteria Section 6.3 (a), applicants must meet the minimum 30-year period of affordability to be eligible for funding.
- *Geographic Diversity – moderate priority*: IHCDA will make no preference to geographic diversity in projects during the HTF application scoring process. IHCDA will, however, make every effort to distribute HTF funds geographically. The ability to do so may be limited by the location of eligible applications and projects which receive adequate scoring to be funded.

IHCDA will, however, consider geographic factors in scoring related to "desirable sites" as defined within the QAP.

An application can score up to 10 points for proximity to positive land uses, transportation, etc. An application can score another 8 points for being in areas of opportunity or high need.

Undesirable Sites: An application can receive a negative point if the proposed development is located within a ½ mile radius of undesirable facilities and locations that produce objectionable noise, smells, excessive traffic, hazardous activity, etc.

Additionally, IHCDA considers where it has previously allocated funds. The QAP contains two scoring categories worth up to 3 points that attempt to incentivize developments in areas that have not obtained recent IHCDA funding.

- Census Tract without Active Tax Credit Developments: An application can receive 3 points if the proposed development is in a census tract that does not have any active tax credit developments of the same occupancy type (elderly or family). An "active" tax credit project is one that has received a reservation of credits, is in its compliance period, or is in its extended use period.

6.3 Threshold Items

Each Development applying for an allocation of Rental Housing Financing and HTF must satisfy the requirements of both Section 42 and 24 CFR Part 93. In the event that an application is competitive for RHTC but either the application fails the HTF threshold review, or HTF funds are not available to award, IHCDA will allow the application to submit additional information to identify other ways to fill the development's financing gap.

Applicants must meet the threshold requirements are outlined in the QAP or HOME Rental Application Policy as well as the following threshold items for those projects requesting HTF:

- The HTF-assisted units must meet affordability requirements for not less than 30 years, beginning at development completion. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. The affordability requirements must be imposed by deed restrictions or covenants running with the land. Please note that the HTF affordability period may differ from that of the RHTC program.

- IHCDA is required to complete a subsidy layering review at any time a development receives HTF funds, along with other governmental subsidies to assure that the development is not being overly subsidized. In reviewing requests for HTF in conjunction with RHTC, IHCDA will utilize the underwriting analysis. If the applicant is also applying for Project-Based Section 8, the applicant must provide the required documentation as listed in the QAP (if applying for RHTC) and from this policy.
- The Applicant must identify all subsidy sources. Funding commitments must be provided with the RHTC or HOME application. If the funding has not yet been committed, the application must provide proof of application, a narrative describing the selection process, and a narrative plan on how the development will move forward if the application is denied. HTF cannot be committed until all other sources have been committed.
- The applicant must demonstrate experience and capacity to conduct an eligible HTF activity as evidenced by its ability to own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development; or
- That the applicant has the capacity to undertake the activities set forth in its application upon receipt of the HTF award and begin construction within 12 months of receipt of the award and complete the development within a 24-month period. The Development must serve populations that are extremely low-income and experiencing homelessness. The target population served by the development must be the target population that was identified based on community need and relevant data through the Supportive Housing Institute process and align with the goals of the Consolidated Plan.

Part 7: Scoring Criteria

IHCDA will score HTF applications based on the scoring criteria of the primary funding source. These criteria can be found in detail in the Qualified Allocation Plan. Applications must meet the minimum score per each policy to meet threshold and be considered for funding. Applications will not be scored for HTF separately.

Part 8: Glossary

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

Development: The HTF activity proposed in the application.

Extremely Low-Income: A household at or below 30% of area median income.

HTF: The Housing Trust Fund program.

IHCDA: Indiana Housing and Community Development Authority

Income Limits: Maximum income as published by HUD for projects giving the maximum income limits per household for program units. For HTF, the maximum income limit is 30% of area median income.

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.

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. For HTF, the maximum rent limit is the 30% AMI rent limit.