

A. Procedures for Accessing HTF Funds

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.

HTH funds cannot be committed to development until all necessary financing has been secured. IHCDCA will not execute a HTF contract until IHCDCA has issued the Release of Funds and the HTF award recipient has submitted the HTF Commitment Form to the HTF & 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, IHCDCA 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 IHCDCA requirements accompany this program, as set forth in 24 CFR Part 93 and IHCDCA'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. IHCDCA 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.

B. HTF Award Manual and Ongoing Compliance Manual

Applicants will be required to comply with the terms and conditions set forth in the *HOME and HTF Award Manual*, as amended from time to time. The *HOME and HTF Award Manual* outlines the requirements for administering an IHCDCA HTF award.

Any applicant who receives HTF funds from IHCDCA will also be required to comply with the terms and conditions set forth in IHCDCA's *Federal Programs Ongoing Rental Compliance Manual*, as amended and/or superseded from time to time. Such requirements apply for the duration of the HTF affordability period.

Compliance manuals are located on IHCDCA's [compliance manual webpage](#).

C. HTF Program Eligibility

Eligibility will be determined based on:

- Whether the development demonstrates a need for HTF funds in order to make a greater number of units affordable to lower income households.



- Whether the development meets State and Federal requirements of all programs that the applicant is applying.
- If the development ranking is sufficient for it to be awarded LIHTC pursuant to the QAP.
- The availability of HTF funds.

D. 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 nonprofit, 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 IHCD's template borrowing resolution form.

E. Development Location

Eligible developments may be located in an city, town or county located in Indiana; there is no geographic preference to the use of the HTF.

Additionally, HTF may not be used to assist developments located in 100- or 500-year floodplains.

F. HTF Loan Limitation

The maximum HTF loan request is \$1,500,000 per application. Based on availability of funding, IHCD 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.



G. Threshold Criteria

1. On or before the application deadline, the Applicant must provide all documentation as instructed in the “Form A– HTF Supplement.” If IHCDa requests additional information from the Applicant, all documents are due on or before the date provided by IHCDa staff.
2. The Application must meet all the requirements in this Schedule, 2CFR Part 93, any additional cross-sectional regulations, including, but not limited to Lead-Based Paint, Uniform Relocation Act, Section 3, and Environmental Review, and be supported by required documentation.
3. To facilitate timely expenditure of HTF funds, all Applicants are required to complete and submit the Environmental Review Record (ERR) and Section 106 Historic Review at the time of application. Refer to the [IHCDa ERR Guidebook](#).
 - a. **Applicants may not purchase any property to be assisted with HTF funds, sign contracts, or begin rehab/construction until the ERR/Release of Funds process has been completed and approved.**
 - b. As part of the Section 106 Historic Review process, IHCDa is required to submit all new construction projects to the Indiana Department of Natural Resources’ State Historic Preservation Office (SHPO) for archaeology review. SHPO is statutorily required to complete this review within 30 days. Project timelines should be planned accordingly.
 - c. The Applicant will receive their HTF award documents only after the Release of Funds process is complete and will be allowed to draw funds only after the HTF award documents have been fully executed.
4. IHCDa will not fund projects located in a floodway or that have any portion of the project site in a 100- or 500-year floodplain. If the project site has any area that is designated as any variation of Zone A or as a floodway, then the project is ineligible for IHCDa HTF funding. Re-platting and/or re-parceling a site out of any variation of Zone A will not be allowed. Instead, the Applicant must consult with and follow FEMA procedures to change the floodplain designation. This process should be completed prior to submitting a funding application to IHCDa.
5. If the project involves new construction and has either mapped wetlands or potential wetlands, the project is not eligible for IHCDa funding. If the project involves site excavation, installation of wells or septic systems, grading, placement of fill, draining, dredging, channelizing, filling, diking, impounding, and any related activities, and has either mapped wetlands or potential wetlands, project alternatives must be considered, including a new site.
6. The Applicant and any related party must not be out-of-compliance in connection with any other IHCDa-funded project in which they are involved and must not be on any IHCDa suspension list, nor be in default with any lender or partner.
7. IHCDa may disqualify any Applicant that has a history of disregarding policies, procedures, or staff directives associated with administering any IHCDa program or programs of any other

State or Federal housing entities. Such other entities include, but are not limited to, the U.S. Department of Housing and Urban Development (HUD), Indiana Department of Commerce, U.S. Department of Agriculture - Rural Development, or Federal Home Loan Bank.

H. Nonprofit Borrowing Resolution

In addition, a nonprofit applicant must submit a borrowing resolution passed by its Board of Directors authorizing submission of the loan request. The applicant must use IHCD's template borrowing resolution form as found on the [HOME webpage](#).

I. Eligible Uses of HTF Loan

Soft Costs:

Soft costs and professional fees are eligible except for those items specifically listed as ineligible under Part K below. 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

J. Ineligible Uses of HTF Loan

Ineligible uses of the HTF Loan include, but are not limited to:

- 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 IHCD
- 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

K. Loan Term

The Applicant may propose a loan term of up to three years of construction financing and up to 15 years of permanent financing. For Developments with other HUD financing, the permanent loan term may exceed 15 years to match the term of the HUD loan.

Amortization schedule will be a maximum 30-year amortization schedule or co-terminus with first-mortgage financing.

- Construction loan- IHCD construction loans will be for a period of 24, 30, or 36 months. The borrower may propose their desired construction loan term.
- Permanent loan- IHCD permanent loans will be for a 15-year period with the following exceptions:
 - For HUD or Fannie loans IHCD's loan maturity will be coterminous with the senior loan.
 - For Freddie loans:
 - If IHCD loan is "hard" (must-pay) maturity is coterminous with senior loan
 - If IHCD loan is "soft" (cash flow contingent) maturity is 6 months after maturity of senior loan



- If there are other senior loans, IHCD's permanent loan may extend to up to a 17-year period if required to be coterminous with the senior loan.

L. Interest Rate

The applicant may propose an interest rate for the use of HTF. IHCD 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.

M. Determining Number of HTF-Assisted Units

IHCD has established the following per unit subsidy limitation for HTF-assisted units:

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

IHCD will conduct a cost allocation analysis for each application. IHCD 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. IHCD 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), IHCD 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, IHCD must evaluate the square footage of residential vs. non-residential space to determine what portion of total development costs are HTF eligible.

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

N. Underwriting Criteria



In reviewing requests for a HTF loan in conjunction with LIHTC, IHCD 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 IHCD.

O. Security or Collateral

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 IHCD approval. If IHCD agrees to subordinate the HTF Loan in priority, it will do so using an IHCD approved Subordination Agreement.

P. Award Term

The HTF award must be fully expended within a 24-month period.

IHCD 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.

Q. HTF Program and Crosscutting Federal Requirements

The proposed HTF project must follow all requirements of 24 CFR Part 93, applicable HUD guidance, this Schedule, and the IHCD *HOME and HTF Program Manual*.

Requirements include, but are not limited, to the following. Refer to the *HOME and HTF Manual* for more information:

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), IHCDCA 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 IHCDCA 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 IHCDCA 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.

R. Occupancy Restrictions and Rent Limits

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 IHCD'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.

If the applicant proposes to receive all or a portion of the rent payment via a tenant based rental subsidy, gross rent (tenant paid + tenant-based rental assistance + utility allowance + non-optional charges) 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 60% 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 60% 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 a development receives federal or state project-based rental subsidy and tenants at or below 50% AMI pay no more than 30 percent of his/her adjusted income for rent, the maximum rent may be the rent allowable under the project-based subsidy program per 24CFR Part 92.252 (b)(2).

S. Occupancy Restrictions and Rent Limits

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.

