



To: Rental Housing Tax Credit Partners

Notice: **RED-21-44**

From: Real Estate Department

Date: September 23, 2021

Re: **TCAP Funding Available Due to Cost Increases – Final Policy**

IHCDA is aware that cost increases are impacting the financial feasibility of Rental Housing Tax Credit (RHTC) developments. In order to respond to these cost increases in a manner that serves our developer partners, IHCDA has issued the following policy.

### **Tax Credit Assistance Program (TCAP) Program Income as Gap Financing**

IHCDA will dedicate up to \$20,000,000 in TCAP Program Income to offer loans of up to \$500,000 per development to serve as gap financing.

### **Eligible Applicants**

- Developments with a 9% RHTC award from allocation year 2020 or 2021 that have either:
  - 1) Closed on all financing and are under construction but continue to experience a funding gap due to increased costs; or
  - 2) Have not closed on financing and are experiencing a funding gap due to increased costs.
- Developments with a 4% RHTC award and tax-exempt bond financing that have either:
  - 1) Closed on all financing and are under construction but continue to experience a funding gap due to increased costs. A development is ineligible if it has already been placed-in-service; or
  - 2) Have not closed on financing and are experiencing a funding gap due to increased costs.

Applications in the current 2022 9% application round and any bond applications approved for funding after the date of this notice are ineligible to request TCAP.

### **Eligibility Requirements**

- For developments that have not closed on all financing, the closing must occur within 60 days of securing a commitment of TCAP from IHCDA. No exceptions or extensions will be granted.
- Applicant must have a commitment from an equity investor.
- Cost increases must be due to occurrences that coincided with the onset of COVID-19.



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- Applicants must show deferred developer fee as a source at an amount no less than 40%.
- Applicants must commit to extra years of affordability based on the amount of TCAP that is loaned to the project. This extension of the Extended Use Period will be enforced through a recorded TCAP Lien and Extended Use Agreement.
  - Less than \$100,000 of TCAP = 1 additional year of affordability (31 years)
  - \$100,000-\$199,999.99 of TCAP = 2 additional years of affordability (32 years)
  - \$200,000-\$299,999.99 of TCAP = 3 additional years of affordability (33 years)
  - \$300,000-\$399,999.99 of TCAP = 4 additional years of affordability (34 years)
  - \$400,000-\$500,000 of TCAP = 5 additional years of affordability (35 years)
- Except for the additional year(s) of affordability referenced above, TCAP funding does not impose any additional regulatory/compliance requirements beyond that of RHTC.

### **Loan Terms**

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

### **Submission Requirements and Instructions**

Applicants must submit the following:

- Updated Form A with documentation of all sources.
- A commitment letter from the equity investor.
- A narrative describing the need for additional funding and other steps already taken to fill the gap, including any applicable supporting documentation.

Application materials must be submitted electronically using a OneDrive folder. Applicants should contact Peter Nelson at [PNelson@ihcda.in.gov](mailto:PNelson@ihcda.in.gov) to request access to a folder.

### **Application Process**

Effective the date of this notice, applications will be accepted and approved by IHCD A on a first come, first-served basis. Once submitted to IHCD A, IHCD A anticipates providing a response within 30-60 days.

Applications will be accepted until the earlier of: (1) March 31, 2022 or (2) such time that all funds have been allocated. IHCD A will post an application and award list on the RHTC webpage.